



FBC Holdings Limited

strength • diversity • service



ANNUAL
REPORT

2017

2017

Annual Report Table of contents

OVERVIEW

Group Structure	4	Independent Auditor's Report	58
FBC Footprint	5	Consolidated Statement of Financial Position	65
Our Pillars of Strength	6	Consolidated Statement of Profit or Loss and Other Comprehensive Income	66
Our Promise to Our Stakeholders	6	Consolidated Statement of Changes in Equity	68
General Information	7	Consolidated Statement of Cash Flows	69
Report Profile	10	Notes to the Consolidated Financial Statements	70
Financial Highlights	11	Company Statement of Financial Position	153
Group Chairman's Statement	12	Company Statement of Comprehensive Income	154
Group Chief Executive's Report	17	Company Statement of Changes in Equity	155
Sustainability Report	24	Company Statement of Cash Flows	156
Notes to Company Financial Statements		Notes to Company Financial Statements	157
Directors' Report	43	Shareholders' Information	161
Company Secretary's Certification	47	Notice of AGM	162
Board of Directors	48	Proxy Form	163
Corporate Governance	51		

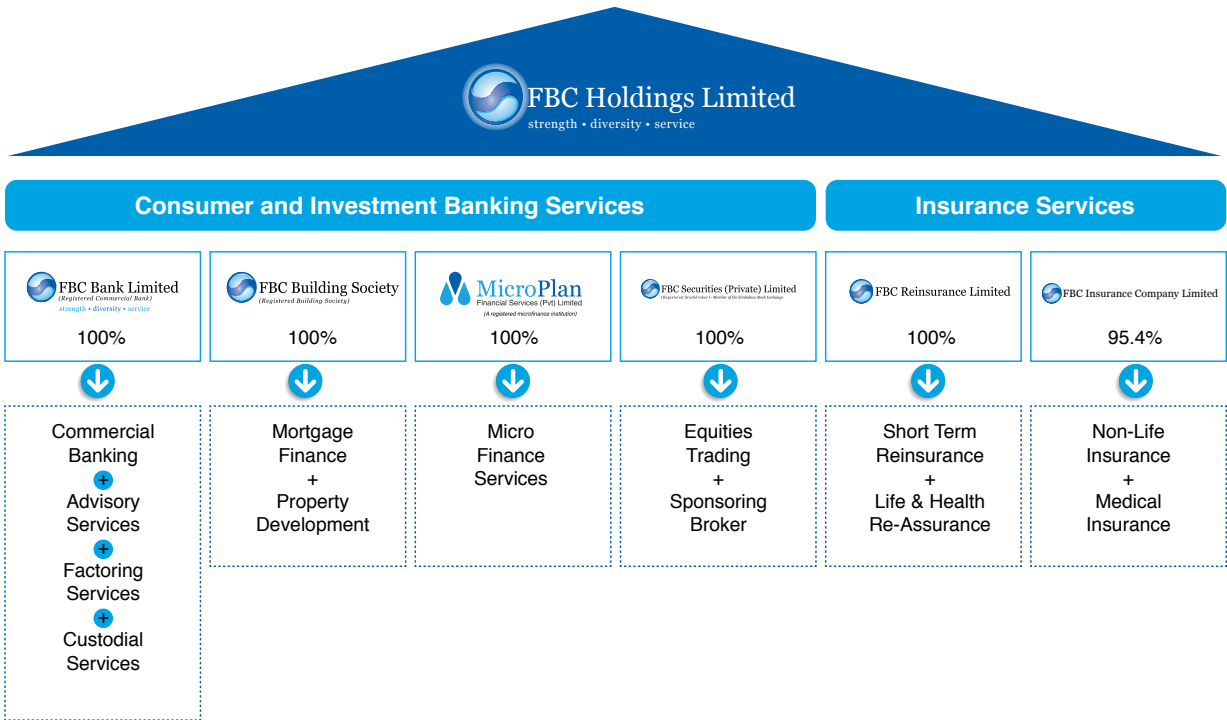
About This Report

This integrated annual report was prepared for FBC Holdings and its subsidiaries.

This annual report can be viewed at www.fbc.co.zw



Group Structure



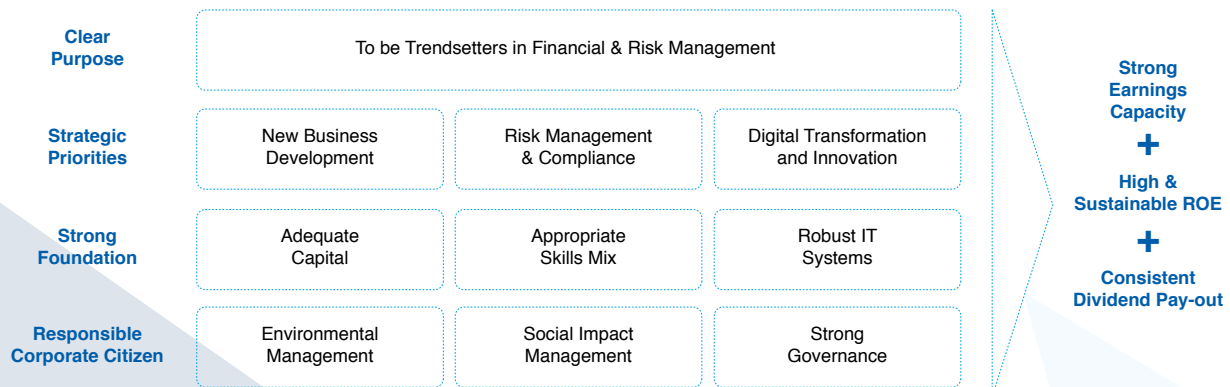
The FBC Footprint



Our Pillars of Strength

Core Values	Governance	Our Team	Social Impact & Financial Inclusion
Integrity	7 Boards of Directors in the Group	± 550 Permanent Employees	+650 Construction Jobs
Teamwork	Independent Chairpersons	+80% Aged <45 years	+600 Agencies
Commitment	24 Non-Executive Directors	45% Female Employees	11 Rural out of 19 Microfinance Branches
Communication	20 Executive Directors	± 330 on Attachement & Internship	600 000 clients Group wide HCP Subscribers +200 000
life long learning and Entrepreneurship			300 000 Mobile Banking Subscribers

Our Promise to Our Stakeholders



General Information

Registered Office

6th Floor FBC Centre
45 Nelson Mandela Avenue
P.O. Box 1227, Harare
Zimbabwe
Telephone : 263-024-700312/797770
 : 263-024-708071/2
Telex : 24512 FIRSTB ZW
Swift : FBCPZWHA
Fax : 263-024-700761
E-mail : info@fbc.co.zw
Website : http://www.fbc.co.zw

Transfer Secretaries

First Transfer Secretaries (Private) Limited

1 Armagh Avenue, Eastlea
P.O. Box 11 Harare
Telephone : 263-024-782869
Mobile : 263 772146157/8

Independent Auditor

Deloitte & Touche

West Block, Borrowdale Office Park
Borrowdale Road
Harare
P.O. Box 267, Harare
Telephone : 263-024-852120-22
 : 263-024-852124-29
Fax : 263-024-852130

Attorneys

Dube Manikai & Hwacha Legal Practitioners

Eastgate Building
6th Floor, Goldbridge, Southwing
Corner Sam Nujoma Street and Robert Mugabe Road
P.O. Box CR 36, Cranborne, Harare
Telephone : 263-024-780351/2

Costa & Madzonga Legal Practitioners

10 York Avenue, Newlands
P.O. Box CY1221, Causeway, Harare
Telephone : 263-08644133638/9

FBC Bank Limited

Belgravia Private Banking Branch

No. 2 Lanark Road, Belgravia
P.O. Box A852, Avondale, Harare
Telephone : 263-024-251975
 : 263-024-251976
Fax : 263-024-253556

Chinhoyi Branch

Stand 5309 Magamba Way
P.O. Box 1220, Chinhoyi
Telephone : 263-067-24086
Fax : 263-067-26162

FBC Bank Limited (Continued)

Bulawayo Avenue Branch

Asbestos House
Jason Moyo Avenue
P.O. Box 2910, Bulawayo
Telephone : 263-029-76079
 : 263-029-76371
Fax : 263-029-67536

Masvingo Branch

FBC House
179 Robertson Street, Masvingo
Telephone : 263-039-264118-9
 : 263-039-264415-6
 : 263-039-262671
Fax : 263-039-262912

Gweru Branch

71 Sixth Street
P.O. Box 1833, Gweru
Telephone : 263-054-26491
 : 263-054-26493
 : 263-054-26497
Fax : 263-054-26498

FBC Centre Branch

45 Nelson Mandela Avenue
P.O. Box 1227, Harare
Telephone : 263-024-700312
 : 263-024-797761-6
Fax : 263-024-7008071/2

Kwekwe Branch

44a/b Robert Mugabe Way
P.O. Box 1963, Kwekwe
Telephone : 263-055-24116
 : 263-055-24160
Fax : 263-055-24208

Mutare Branch

101 A Herbert Chitepo Avenue
P.O. Box 2797, Mutare
Telephone : 263-020-62586
 : 263-020-62114
Fax : 263-020-60543

Nelson Mandela Avenue Branch

Nelson Mandela Avenue
P.O. Box BE 818, Belvedere, Harare
Telephone : 263-024-750946
 : 263-024-753608
Fax : 263-024-775395

General Information (continued)

FBC Bank Limited (Continued)

Southerton Branch

11 Highfield Junction Shop
P.O. Box St495, Southerton, Harare
Telephone : 263-024-759712
: 263-024-759392
Fax : 263-024-759567

Zvishavane Branch

98 Robert Mugabe Way
P.O. Box 91, Zvishavane
Telephone : 263-039-2176
: 263-039-2177
Fax : 263-039-3327

Chitungwiza Branch

No 197 Tilcor Township, Seke
Chitungwiza
Telephone : 263-024-30212
: 263-024-31016

Samora Machel Avenue Branch

Old Reserve Bank Building
76 Samora Machel Avenue
P.O. Box GD 450, Greendale, Harare
Telephone : 263-024-700372
: 263-024-700044
Fax : 263-024-793799

Victoria Falls Branch

Shop 4 Galleria De Falls
P.O. Box 225, Victoria Falls
Telephone : 263-083-45995/6
Fax : 263-083-5995/6

Msasa Branch

104 Mutare Road
P.O. Box AY1 Amby, Msasa, Harare
Telephone : 263-024-446806
Fax : 263-024-446815

Beitbridge Branch

1454 NSSA Complex
Telephone : 263-085-23196
: 263-085-23198

Bulawayo Private Branch

Asbestos Harare
Jason Moyo Avenue
P.O. Box 2910, Bulawayo
Telephone : 263-029-76079
: 263-029-76371
: 263-029-67536

FBC Bank Limited (Continued)

Graniteside and SME Branch

Number 1 Crawford Road
Graniteside, Harare
Telephone : 263-024-710326
: 263-024-710327
: 263-024-710328

Borrowdale Branch

Unit 122-125, Sam Levy's Village
Borrowdale, Harare
Telephone : 263-024-850911
: 263-024-850912
: 263-024-850913

FBC Reinsurance Limited

Head Office

4th Floor, FBC Centre
45 N Mandela Avenue
P.O. Box 4282, Harare
Telephone : 263-024-772703/7
Fax : 263-024-772701

Bulawayo Office

1st Floor Asbestos House
Jason Moyo Avenue
P.O. Box 2199, Bulawayo
Telephone : 263-029-888344
Fax : 263-029-888560

FBC Insurance Company Limited

Head Office

Eagle House
105 Jason Moyo Avenue, Harare
Telephone : 263-024-708212
Fax : 263-024-797135

Mutare Branch

Manica Chambers
2nd Avenue Road, Mutare
Telephone : 263-020-65723
Fax : 263-020-63079/65722

Bulawayo Branch

1st Floor, Asbestos House
Corner 11th and Jason Moyo Street, Bulawayo
Telephone : 263-029-71791/4
Fax : 263-029-76224

General Information (continued)

FBC Building Society

Leopold Takawira Branch

FBC House
113 Leopold Takawira
P.O. Box 4041, Harare
Telephone : 263-04-756811-6
Fax : 263-04-772747

Gweru Branch

Impala Seeds Building
69B 6th Street
P.O. Box 1345, Gweru
Telephone : 263-054-226189
: 263-054-223586
Fax : 263-054-226189

Bulawayo Branch

FBC House
Corner R. Mugabe Way and 11th Avenue
Bulawayo
Telephone : 263-09-79504/68679
: 263-09-64547/69925/48
Fax : 263-09-74069

FBC Centre Branch

45 Nelson Mandela Avenue
P.O. Box 4041, Harare
Telephone : 263-04-707057
Fax : 263-04-783440

Mutare Branch

FBC House
101 A Herbert Chitepo Avenue
P.O. Box 1224, Mutare
Telephone : 263-020-65894
: 263-020-65897/8
Fax : 263-020-66723

Masvingo Branch

FBC House
179 Robertson Street, Masvingo
Telephone : 263-039-62671/821/912
Fax : 263-039-65876

FBC Securities (Private) Limited

2nd Floor, Old Reserve Bank Building
76 Samora Machel Avenue, Harare
Telephone : 263-04-797761-6 / 700373

Microplan Financial Services (Private) Limited

Head Office

4th Floor, FBC House
113 Leopold Takawira, Harare
Telephone : 263-04-772745/772729
Fax : N/A

Bulawayo Branch

1st Floor, Asbestos House
Corner 11th and Jason Moyo Street, Bulawayo
Telephone : 263-09-61650

Chiredzi Branch

349 Chilonga Drive, Chiredzi
Telephone : 263 31 2752/2820
Mobile : 263 731 772 750 / +263 772 527 147

Mutare Branch

101 A Herbert Chitepo Avenue
Mutare
Telephone : 263-020-65895
: 263-020-62949

Microplan Financial Services (Private) Limited (Continued)

Mutoko Branch

Shop Number 1 Stand 46/47 BJ
Mall Oliver Newton Road
Chinzanga Township, Mutoko
Mobile : 263-065-2722859

Masvingo Branch

1st Floor, FBC Centre
179 Robertson Street, Masvingo
Mobile : 263-736462940
Telephone : 263-039-262912

Gwanda Branch

Stand 623 Nkala Complex
Soudan Street, Gwanda
Telephone : 263-084-24296

Gweru Branch

Office Number 15, Moonlight Building,
5th Street, Gweru
Mobile : 263 732 772 745
Landline : 263-054-224524

Bindura Branch

846 Chenjerai Hunzvi Street, Bindura
Telephone : 263-066-6581

Chinhoyi Office

5308 Magamba Way, Chinhoyi
Landlines : 263-067-21034
Mobile : 263 73 177 2730 / +263 775 802 514

Lupane Office

Stand Number 12, Lupane
Cell : 263 731 772 731

Chipinge Office

294A Ferreira Street, Chipinge
Cell : 263 731 772 732

Kadoma Office

Office No 5, Mtetwa Family Trust Complex
6/7 Cilling Street
Kadoma

Rusape Office

Stand 9 Robert Mugabe Avenue, Rusape
Telephone : 263 731 772 734

Mt Darwin Office

Stand 206, Mount Darwin Township, Mt Darwin
Telephone : 263 731 772 733
: 263 773 396 657

Hauna Office

Stand 107, Hauna Growth Point, Mutasa
Telephone : 263 731 772 735

Guruve Office

Stand 1409, Guruve Business Centre, Guruve
Telephone : 263 731 772 736

Hwange

Shop Number 101D, 22-23 Coronation Drive, Hwange
Direct : 263 731 772 747
CELL : 263 778 942 055

Zvishavane Office

Office 14 Makairos Building, 97 R. G Mugabe Way,
Zvishavane
Phone : 263 774 381 574

Beitbridge Branch

NSSA Complex, Beitbridge, Zimbabwe
Direct line : 263 286 22197 / 263 778 203 776
0713 492 811 / 0731 772 748

Report Profile

FBC Holdings is once again pleased to present its annual integrated financial statements including sustainability reporting on the Group's non-financial performance for the period ended 31 December 2017. The reporting cycle is annual with the last report having been published in March 2017.

The sustainability report is FBC Holdings' second report prepared with reference to the Global Reporting Initiative Standards. The report captures the Group's material issues for the business and its stakeholders in the following impact categories: social, environmental and economic performance. The Group will continue to improve and strengthen its sustainability strategy and reporting framework in accordance with the Group's broader strategic objectives that seek to promote a sustainable business model and unlock long term value for its stakeholders and future generations.

The Group welcomes the opinions of all its stakeholders both within and outside the Group and believes in proactive stakeholder engagement in order to appreciate fundamental stakeholder needs and desires. This approach enhances its ability to proffer tailored market leading service delivery solutions to its diverse stakeholders. Engagements with our stakeholders are done through various platforms including client networking events, customer surveys, formal meetings and an internet "chatbot", Chido, which simulates your conversations through voice commands and text chats via Facebook and WhatsApp.

If you would like to provide the Group with further feedback regarding the contents of this report please feel free to contact Tichaona Mabeza via email on: tichaona.mabeza@fbc.co.zw.

Dream Big **Set Goals** **Take Action** **Get an FBC Home Loan**

FBC Mortgage Loan

**Buy or build a home of your choice with an FBC Mortgage Loan.
Contact your nearest branch today.
Let's make it happen!**

Call SMS or WhatsApp our FBC Help Centre on:

+263 772 419693, 772 152647 | TEL: +263 4 704481-82 | TOLLFREE: 0808 0025, 0808 0026 | EMAIL: help@fbc.co.zw | FBC.Help.Centre

FBC Bank Limited
(Registered Commercial Bank)

FBC Building Society
(Registered Building Society)

www.fbc.co.zw #ConnectEngageTransact @FBCHoldings

*NB -tenure varies with age up to retirement(65 Years)

Financial Highlights

For the year ended 31 December 2017

	31-Dec-17 US\$	31-Dec-16 US\$
Consolidated Statement of Profit or Loss and Other Comprehensive Income		
Profit before income tax	29 303 554	25 675 705
Profit for the year	23 248 230	21 937 726
Consolidated Statement of Financial Position		
Total equity	144 555 936	123 712 596
Total assets	712 437 485	610 144 717
Share Statistics		
Shares in issue - actual (million)	672	672
Shares in issue - weighted (million)	640	644
Basic earnings per share - (US cents)	3.62	3.40
Diluted earnings per share - (US cents)	3.62	3.40
Headline earnings per share - (US cents)	3.63	3.39
Dividend per share - ordinary (US cents)	1.07	0.52
Closing share market price - (US cents)	20.0	8.0
Ratios		
Return on shareholders equity	16%	18%
Cost to income ratio	72%	72%

Group Chairman's Statement



Financial Highlights

- Group profit before income tax increased by 14% to US\$29.3 million.
- Group profit after tax increased by 6% to US\$23.2 million.
- Cost to income ratio 72%.
- Basic earnings per share registered a 6% growth to 3.62 US cents per share.
- Net asset value 21.53 US cents per share.

Financial Performance Review

It gives me great pleasure to present to you, our valued stakeholders, the 2017 full year financial performance for FBC Holdings Limited. While 2017 was yet another challenging year, the Group managed to leverage on its diversified business model and strong risk management capabilities to deliver a commendable financial performance.

The 2017 Group profit before tax of US\$29.3 million was 14% ahead of the prior year's comparative of US\$25.7 million. Group profit after tax however, increased

by 6% to US\$23.2 million from US\$21.9 million last year, mainly as a result of an increase in the effective tax rate from 14.6% to 20.7%, due to an increased contribution to taxable income by subsidiaries that are subject to tax. Total income for the Group was up 13% to US\$105.3 million, driven by a 22% growth in the Group's net fees and commissions, stemming from its shift towards digital platforms. Net interest income was also up 3% to US\$46.1 million while interest expense significantly improved by 12% from US\$22.2 million to US\$19.6 million. It is the Group's desire to continue pursuing initiatives that will result in the further reduction of our cost of funds, while assisting the Group in attracting longer term sources of funding that are correctly priced.

Net income from property sales was up 22% to US\$1.2 million in 2017, despite a temporary decision that was made in mid-2017, to deliberately slow down property sales in response to the deterioration in the operating environment. A total of 60 housing units were however, sold in 2017 compared to 64 units that were sold in 2016 while construction activities

Group Chairman's Statement (continued)

progressed throughout the year. The Building Society had earlier in the year, purchased and warehoused key construction materials prior to various price distortions that ensued, in an effort to mitigate material price escalation.

The demand for the Group's traditional insurance products remained flat as evidenced by the reported net earned insurance premiums which were at US\$18.7 million. This is similar to what was reported in the prior year. In line with the Group's strategy, the insurance units have introduced more micro insurance products to try and counteract the depressed market position. Innovation in terms of new micro-insurance products and enhanced investment income is expected to help our insurance businesses achieve their set targets in line with the strategic intent of the Group.

In recognition of the ever increasing credit risk inherent in the economic environment, the Group has been prudent in its impairment provisioning to ensure that adequate resources are set aside. Pursuant to this, an impairment allowance of US\$6.9 million was provided for in 2017. The adoption of IFRS 9 and expected credit loss provisioning is projected to increase the overall impairment charge for the Group in 2018.

The Group's statement of financial position as at 31 December 2017 stood at US\$712.4 million representing a 17% increase from the prior year position of US\$610.1 million. The Group's capital position in the same period under review closed at US\$144.2 million, representing a 17% increase from the prior year position of US\$123.4 million. The Group's market capitalisation on the Zimbabwe Stock Exchange closed the year at US\$134.3 million, representing a 7% trading discount to the net asset value of US\$144.2 million.

Operating Environment

During the fourth quarter of 2017, the country went through a political renewal process with the new administration calling for broader economic reforms anchored on economic policy changes and incentives for key economic enablers. The economy is however, projected to grow at 4.7% in 2018 on the back of

anticipated improved performance in agriculture and mining. The government's fiscal priorities suggest commendable efforts to streamline central government expenditure to avoid further inflationary shocks in the economy. In previous years, the country had been running a budget deficit whose primary financing mechanism was domestic borrowing.

Going forward, economic growth prospects will be driven by the ability of the country to attract new capital inflows, improve the ease of doing business and improve investor confidence through consistent policy formulation and implementation.

Meanwhile, the pace of innovation in the domestic market continues to heighten with supportive measures being put in place by the government and regulatory authorities to stimulate the new economic transformation agenda.

Financial Services Sector

The banking sector remained stable on the back of adequate capitalisation, improved earnings and satisfactory asset quality. The major concern for the banking sector however, has been the sustained shortages of cash and inadequate foreign currency reserves. The introduction of alternative payment solutions has greatly assisted the country in facilitating the settlement of local payments. The stimulation of exports remains paramount in addressing shortages in foreign currency reserves.

The Insurance Sector

The insurance penetration rate has remained subdued at around 3.6% due to the general slowdown of the Zimbabwean economy throughout 2017. The low uptake of insurance products has continued to negatively impact the profitability of the insurance industry as a whole, with FBC Holding's (FBCH) insurance cluster companies being no exception. Foreign currency shortages coupled with the reappearance of parallel markets during 2017, negatively impacted the industry's claim ratios for the period under review. We are however encouraged by the raft of measures that have been put in place by the Insurance Pension Commission (IPEC) to try and

Group Chairman's Statement (continued)

sanitise the misdemeanours affecting the insurance industry.

Stock Market Performance

The industrial index gained 130.4% during the year to close at 333.02 points. The bullish performance was unfortunately accelerated by hedging practices implemented by the investing public in response to the deterioration of the economic environment. Evidently, the political changes towards the end of 2017 resulted in the Zimbabwe Stock Exchange market capitalization retreating from a peak of US\$15 billion to close the year at US\$9.5 billion. Going forward, we strongly believe that we will witness performance driven growth on the Zimbabwe Stock Exchange.

2017 Share Price Performance

The company's listing on the Zimbabwe Stock Exchange (ZSE) was maintained and was in compliance with the listing requirements. The company did not undertake any share buy-back during the course of the year.

Developments in the monetary space saw stock market activity increasing, particularly in the second half of the year, with the FBCH share attracting relatively strong demand but with minimum trading volumes. Resultantly, 7.6 million shares were traded during the year, down from 40.9 million in 2016 at a volume weighted average share price of 15.5 US cents per share. The FBCH share closed the year at a price of 20 US cents per share and achieved a peak price of 25 US cents per share, after having opened the year at a price of 8 US cents per share.

FBC Trend-setting

FBC Holdings Limited continues its innovation dominance in the financial services sector. The Group continues to be highly visible within the financial services market place owing to various strategic marketing and public relations initiatives.

The year 2017 was a rewarding year for the Group as FBC Holdings and its various subsidiaries received industry-wide recognition. The following accolades were attained in 2017:

1. FBC Holdings Limited - The Best Banking Company of the Year listed on the Zimbabwe Stock Exchange in the Quoted Companies Survey;
2. FBC Bank - First Runner-up-Service Excellence Award in the Banking Sector Category in the Contact Centre Association of Zimbabwe (CCAZ) awards;
3. FBC Building Society - The Best in Property Development in the Residential Projects Category for the Chartered Institute of Project Managers Zimbabwe (CIPMZ).

FBC Holdings was also honored with five Corporate Governance Awards by the Institute of Chartered Secretaries and Administrators in Zimbabwe (ICSAZ) as listed below:

1. FBC Bank: Merit Award for Best Banking Risk Management Disclosures,
2. FBC Bank: Second Prize for Best Banking Internal Audit Disclosures,
3. FBC Bank: Second Prize for Overall Best Banking Corporate Governance Disclosures,
4. FBC Bank: Third Prize for Best Banking Board Governance Disclosures,
5. FBC Holdings: Third Prize for Best Stakeholder Practices and Sustainability Reporting.

FBC in the Community

FBC believes in building communities, having established a strong tradition of giving back. Through our various subsidiaries, the Group has seen an increase in corporate social responsibility activities from a financial perspective as well as in volunteer hours contributed by its stakeholders.

While the primary focus has been on improving the educational system and infrastructure within various communities, secondary initiatives have also been undertaken in the areas of health, share community trusts, as well as arts and culture. As a Group, we are well-placed to foster creative and innovative ways of making a positive impact on the well-being of the local communities in which we serve.

Group Chairman's Statement (continued)

Digital Transformation and Innovation

Digital technology has become the bona-fide delivery platform for financial and related services the world over. In 2017, FBC Holdings' banking subsidiaries consolidated FBC's position as the bank of choice by offering reliable online banking services within the various channels which included card issuing and acquiring on the three major transaction interchange platforms, namely Zimswitch, MasterCard and VISA. The FBC Instant Card, supported by the Mobile Banking platform, Mobile Moola, and the Agency Banking network has enabled FBC Bank and Building Society to extend their distribution network beyond traditional brick and mortar, thereby extending banking services to the un-banked in support of the central bank's financial inclusion drive. This is particularly evident in the shifts in the composition of our revenue mix over the last five years.

MicroPlan has seen their turnaround time for client on-boarding, reduced to 24 hours as they begin to fully extract value from the recently commissioned micro lending system. Integration of the micro lending system with other payment platforms such as banking systems and mobile wallets has enabled them to improve efficiency in disbursements and collections. FBC Insurance has introduced a new short term insurance system that has allowed them to not only improve their customer experience through digital delivery of existing and new products, but to also improve operational efficiency through end-to-end automation of their business process.

FBC Holdings has taken a holistic approach in the entire digital transformation and innovation programme, with complementary advancements expected in the Group's culture, business model, organizational structure, operational processes, skills set and technology architecture. The Group is also cognisant of the far-reaching impact of regulatory directives which are favourable to open banking and removal of industry monopolies and boundaries in financial services.

Enhancing Accessibility Through Innovation

Encompassing the financial needs of the consumers in marginalised communities and vulnerable segments of the societal structure remains a priority for FBC Holdings.

In 2017, the Group registered progress in terms of the un-banked and under-banked, through the launch of the low cost FBC Instant Card supported by the FBC Mobile Banking platform, Mobile Moola. To-date over 100 000 FBC Instant Cards have been issued. Mobile channels have provided an opportunity to avail services across different financial services be it transactional, credit or micro-insurance. A total of 6 300 point of sale machines have been distributed across the country by FBCH's banking subsidiary. New low cost innovative technologies are currently being developed for the benefit of our customers who will see the bank deliver unparalleled digital banking capabilities. We believe these innovations in support of financial inclusion will sustain and grow the Group's market presence.

Compliance

The Group, in line with its compliance philosophy which recognises that "Everybody is a Compliance Manager", continued to place great importance on compliance risk throughout 2017. As such, no material compliance deficiencies were noted for the financial year under review. Meanwhile, the Group has continued to invest significant resources in the compliance function, primarily directed at automating key compliance processes including risk assessment, transaction surveillance and screening. The Group remains conscious to the ever evolving regulatory environment and international best practice in order to maintain this high standard.

Environment, Social and Governance (ESG) Priorities

In line with the guidelines of sustainability reporting, the FBC Holdings has adopted an integrated Environmental, Social and Governance (ESG) reporting framework based on the International Finance

Group Chairman's Statement (continued)

Corporation (IFC) and Global Reporting Initiatives (GRI) sustainability standards. The Group has taken a deliberate initiative to be a responsible lending corporate persona, aligning its lending policies to the IFC Social and Environmental Management System (SEMS) to enhance the Group's lending activities. Its strategic lending personnel have undergone extensive training in responsible lending, which is in line with international best practice.

The Group continues to raise awareness, both internally and externally, in the reduction of waste, water and energy usage and is committed to operating sustainably and making a positive contribution for future generations.

Directorate

Mr James Tirivavi Chiuta was appointed to the Board with effect from 12 December 2017. James brings on board a wealth of experience having worked for a number of organisations in the financial services sector. I welcome James to the Group and look forward to his wise counsel.

Dividend

On behalf of the Board of Directors, I am pleased to advise shareholders that a final dividend of 0.8417 US cents per share was proposed. This makes a total dividend of 1.0652 US cents per share, together with the interim dividend of 0.2235 US cents per share which was paid in September 2017. The total dividend declared for the year 2017 amounted to US\$7.1 million.

Outlook

We remain optimistic that the Zimbabwean economy is well positioned for economic prosperity in the near future with all our business units strategically positioned to capitalise on better business development opportunities. Digital transformation, investment in ICT capabilities and strengthening our

compliance and risk management frameworks remain the key enablers for our business going forward.

We look forward to making significant strides as we consolidate on our exciting digital transformation journey.

Appreciation

My sincere gratitude goes out to our various stakeholders, strategic partners, clients and regulatory authorities for their steadfast support and commitment to the FBC Holdings brand.

I am also grateful to my fellow Non-Executive Directors of FBCH, Group Chief Executive John Mushayavanhu and the entire FBC Team for placing the Group on a path of sustainable growth. I look forward to your unwavering support throughout the year ahead.



Herbert Nkala
Group Chairman
28 March 2018

Group Chief Executive's Report



I am pleased to present to you FBC Holdings' audited financial results for the 12 months ended 31 December 2017. While the operating environment remained difficult throughout 2017, the Group managed to withstand the difficulties, posting a commendable US\$29.3 million in profit before tax for the 12 months ended 31 December 2017.

Market Dynamics

The Group operated in a very challenging and depressed environment, characterized by unprecedented and accelerated changes on many fronts, including political, economic, social and technological changes. The operating environment resulted in uncertainty and volatility in macro-economic fundamentals and the Group's business units responded accordingly. Effective risk management, digital transformation and innovation have become the hallmark for the Group's operations and broader strategy overall.

Superior service and strategy execution have become paramount in harnessing the power of the accelerated changes in technology in order to manage competitive pressures, while keeping pace with our stakeholders' expectations.

Macroeconomic Developments

The Zimbabwean economy witnessed significant economic and political changes in 2017, coupled with the persistent local cash shortages and the unavailability of foreign currency that peaked in the third quarter of 2017. The change in the political landscape in November 2017 brought optimism and hope for economic recovery in Zimbabwe. The economy is projected to grow at 4.7% in 2018 against sub-Saharan regional growth projections of 3.3%. Zimbabwe's economic growth projections are anchored on improved performance in the mining and agricultural sectors of the economy. Foreign investor confidence and international community support remains of paramount importance for sustainable economic growth in Zimbabwe.

Performance of the Group

Despite the challenging operating environment, the Group performed exceptionally well in 2017. The Group's profit before tax rose by 14% to US\$29.3 million, from US\$25.7 million recorded in 2016. This robust performance was attributable to improvement in revenue contributions from the Group's six subsidiaries. Total income increased by US\$12.3 million to US\$105.3 million from US\$93.0 million recorded in 2016. The

Group Chief Executive's Report (continued)

increase in the Group's total income by 13% in 2017 is a strong indicator of the revenue generating capacity of FBC Holdings that is strengthened by our preferred diversified business model.

The Group's net interest income grew by 3% to US\$46.1 million from US\$44.8 million recorded in 2016. Its contribution to the Group's total income declined to 44% from 48% in 2016, despite an increase of 9% in the lending portfolio from US\$276.5 million recorded in 2016 to US\$300.7 million during the period under review. The Group continues to be cautious in its lending philosophy and consistently monitors asset quality to preserve shareholder value. Our allowance for impairment loss provision reduced marginally in 2017 to reflect the quality of our loans portfolio. The Group adopted a deliberate strategy to manage cost of funds and attract cheaper sources of funding. This has yielded positive results, with interest expense declining favorably by 12% between 2016 and 2017.

Net fee and commission income continues to drive the business with the transacting public now embracing the high usage of plastic money due to the current cash shortages. Net fee and commission income surged significantly by 22% to US\$31.6 million from US\$25.9 million achieved in 2016. The contribution to total net income also improved from 28% to 30% due to a corresponding surge in transactional volumes on our digital banking platforms, reinforced by an aggressive investment in our digital infrastructure, Instant Card services as well as the Agency Banking outreach programme.

Gross profit on property sales was up 22%, although the Group deliberately slowed down on property sales in view of the need to hedge against inflationary pressures that were witnessed between the second and third quarters of 2017. Construction activities however, progressed in line with project plans, owing to advance purchase and warehousing of key construction materials at the start of 2017.

Net earned insurance premium was generally flat at US\$18.7 million and its contribution to total net income dropped marginally to 18% from 20% in 2016, as a

result of a slump in insurance premium revenues and a general decline in the uptake of insurance products.

FBC Holdings continues to benefit from operational efficiencies through cost containment strategies across all its subsidiaries, with the cost to income ratio improving further to 72% in 2017 from 73% in 2016. Operating expenses at US\$57 million were however 20% higher than the previous year's figure of US\$47.5 million.

The Group recorded a 17% growth in total assets at US\$712.4 million, compared to the previous year. The growth in the statement of financial position is a result of continued customer loyalty to the ever growing FBC brand. Total equity attributable to shareholders of the Group grew by 17% to US\$144.2 million from US\$123.4 million in 2016.

FBC Bank Limited

FBC Bank recorded a profit before tax of US\$16.6 million from US\$12.2 million in 2016, which is a 36% improvement on 2016. This was largely driven by the shift in transaction volumes towards internet, mobile platforms, plastic money and agency banking. The Bank's cost to income ratio for the period improved significantly to 72% from 75% in 2016 as the Group embraced digital transformation and innovative cost containment strategies that fostered operational efficiencies.

The statement of financial position for the Bank grew by 19% from US\$470.2 million in 2016 to US\$558.1 million, driven by growth in deposits. The Bank participated in the issuance of agro bills totaling US\$20 million in our effort to promote the growth and development of various agriculture value chains.

The Bank's lending portfolio increased marginally to US\$222.1 million from US\$202.3 million in the previous year. The Bank continues to pursue a cautious lending strategy with priority given to asset quality and aggressive provisioning and write offs, evidenced by the reduction in our non-performing loans to 4.14% for 2017, which is within the Reserve Bank of Zimbabwe (RBZ) compliance guidelines of 5%.

Group Chief Executive's Report (continued)

The Bank's core capital which currently stands at US\$75.2 million is well in excess of the US\$25 million minimum capital requirement set by the RBZ and we are confident that the Bank will trade itself into compliance with the 2020 capital requirement of US\$100 million. For this to be achieved, the Bank has to post a minimum profit after tax of US\$8 million every year between 2018 and 2020 and based on the current trading history, we expect the Bank to post profits well in excess of that target minimum.

In line with its financial inclusion strategy, FBC Bank continues to bolster its SME-banking business, targeting the ever growing SME sector and the abundant opportunities in that segment. The Bank has to-date deployed more than 6,300 Point of Sale terminals and distributed over 100,000 FBC Instant Cards onto the market.

FBC Bank is rolling out a digital transformation and innovation strategy aimed at transforming the Bank into a digital bank which will bring enhanced banking convenience and market-leading service experience to our customers.

FBC Building Society

The Building Society remains a dominant player in the properties market with 60 additional housing units having been completed and sold during the year. The increased demand in the properties market continues to present further business opportunities for the Society.

Despite the limited access to correctly priced long term financing, the Building Society posted a net surplus of US\$9.3 million, which is 9% up from the 2016 net surplus of US\$8.5 million. Total net income for the period amounted to US\$17.2 million against US\$15.6 million recorded in 2016, while operating expenses increased by 14% to US\$7.3 million due to price distortions stemming from inflationary pressures experienced during the course of 2017.

The statement of financial position for the Building Society declined by 12% to US\$129.9 million from US\$147.7 million in 2016 as the unit continues to

manage its sources of funding. Deposits decreased by 26% from US\$93.8 million to US\$69.2 million, whilst the loan portfolio grew marginally to US\$59.1 million from US\$58.4 million in the prior period. The Building Society's capitalization remains solid and above the US\$20 million prescribed minimum capital requirement. The Society's current core capital is US\$47.4 million, up 15% from 2016.

The Building Society maintained its credit rating of BBB- from the Global Credit Rating Agency in 2017.

MicroPlan Financial Services (Private) Limited

MicroPlan, the Group's micro finance business, continues to perform exceptionally well, recording a profit before tax of US\$4.5 million, which was 15% of the Group's profit before tax. The Group continues to support MicroPlan with business development strategies and strong risk management techniques and this has given the unit a competitive edge over its peers.

MicroPlan underwent a process of credit rating by an independent international rating agency, MicroFinanza, in 2016 and achieved a maiden credit rating of BBB- which is currently the highest in the micro finance sector in Zimbabwe. They were again rated in 2017 and scored a higher rating of BBB.

The unit's loan book now stands at US\$19.8 million, making it the second largest non-deposit taking micro finance institution in Zimbabwe. Its capital levels have also increased by 34% from US\$7.1 million to US\$9.5 million, which is well above the regulatory minimum requirement of US\$25 000 for microfinance institutions.

MicroPlan opened 2 new branches in 2017 in Beitbridge and Hwange as the micro finance services provider continued to reinforce its presence in the more remote parts of the country. In response to the call for financial inclusion, to-date, MicroPlan boasts of 19 branches in Zimbabwe which are actively rolling out new microfinance products such as micro-leasing, micro mortgages, micro-insurance and rural agriculture finance. The unit works in close

Group Chief Executive's Report (continued)

partnership with targeted development agencies to advance its financial inclusion strategy.

FBC Securities (Private) Limited

The Zimbabwe Stock Exchange witnessed a bullish performance in 2017 with the benchmark industrial index rallying a remarkable 129% to close stronger at 333.02 points as investors sought refuge from weaker fundamentals, including foreign currency induced inflation. This had a positive impact on the performance of the stockbroking unit which posted an impressive profit before tax of US\$0.6 million.

The unit remains active in international capital markets and has diversified its revenue streams to include fixed income securities trading. In the outlook, the unit will continue to diversify its revenue lines in addition to equities trading, fixed income trading and sponsoring broker services.

FBC Reinsurance Limited

FBC Reinsurance recorded a gross premium income of US\$20.6 million which is 30% higher than the US\$15.8 million underwritten in 2016, as the investment in Life and Health Reinsurance business lines gradually begins to payoff. Profit before tax amounted to US\$1.7 million, which is however, 26% lower than the US\$2.3 million recorded in 2016. The insurance business in general, follows the performance of the macroeconomic environment as consumers re-look at their expenditure priorities, which unfortunately do not favour insurance. As the economy opens up, we are optimistic that there will be a better contribution coming from FBC Reinsurance Limited.

The company continues to observe a strong underwriting culture and adherence to robust risk management systems. It enjoys a considerable market share of 19% due to its client retention strategies and new business relationships. FBC Reinsurance maintained its A- rating for claims paying ability from the Global Credit Rating Agency of South Africa.

The company enhanced its retrocession program by the inclusion of an A- rated global reinsurer on the panel. As a result, the business underwritten by FBC

Re is reinsured with some of the strongest global reinsurers. In addition, the company has strategic partnerships with top- rated specialist markets which cover risks arising from cyber risks, political unrest and terrorism.

Efforts are currently underway for FBC Reinsurance to establish an operation in the Republic of Mauritius, with a view to diversify the earnings source of our reinsurance portfolio.

FBC Insurance Company Limited

FBC Insurance Company Limited, which was re-branded from Eagle Insurance Company Limited, recorded a spirited performance in spite of the challenging operating environment. The company's Gross Written Premium increased by 2% to US\$19.0 million from US\$18.6 million in 2016. Profit before tax was 7% lower at US\$1.4 million, down from US\$1.5 million the previous year.

The company exercises robust risk management, engages in prudent underwriting and continues to maintain a highly liquid balance sheet. FBC Insurance maintained its Global Credit Rating of A-, demonstrating its strong claims paying ability.

The company has started to underwrite life and health business through its partnership with regional life and health insurance giant, Liberty Life of South Africa. In the outlook FBC Insurance continues to benefit from the development of new insurance products in the micro-insurance space.

Regulatory Capitalization Requirements

The capitalization of the Group's subsidiaries remains of strategic importance. All our business units are well capitalized above the regulatory minimum thresholds required by their respective regulatory bodies. In the case of FBC Bank, we are confident that the unit will trade itself into compliance, with only US\$8 million annual profits required between 2018 and 2020 to achieve the capital target of US\$100 million by 2020. Irrespective of the 2017 operating environment, the Bank achieved an after tax profit of US\$12.0 million, and with the current positive outlook, we are

Group Chief Executive's Report (continued)

optimistic that the Bank will continue to improve its performance.

Risk Management

FBC Holdings uses a robust risk management framework anchored on the Enterprise-Wide Risk Management (ERM) Model. The success of the Group lies in its ability to manage risk effectively, while creating value for its stakeholders. The ERM Model has enabled the Group to classify and price risk appropriately, as we pursue our business objectives. The ERM Model implementation has fostered a strong risk management culture across FBC Holdings which is critical in the effective management of risks. Key focus areas include people, processes and systems, as these are critical success factors in corporate strategy implementation and execution. The Group continuously reviews its risk appetite to ensure that there is proper alignment of the business strategy and the risk governance of the organization. Review of policy and procedure manuals is conducted at least once every year to ensure alignment with changes in the operating environment.

The Group is in the process of adopting IFRS 9: financial instruments and has adopted Basel II/III, including other regulatory standards to enhance the risk management framework. We have adopted standards such as Internal Capital Adequacy Assessment Processes (ICAAP), Stress Testing and Resolution and Recovery Planning. Our internal control environment continues to improve through the adoption of these standards. The Group's risk governance structure remains anchored on effective oversight by the Board of Directors and senior management.

Combating the Financing of Terrorism (CFT) and Anti-Money Laundering (AML)

FBC Holdings adheres to international best practice in combating the financing of terrorism and the prevention of money laundering. The Group has put in place the necessary Know Your Customer (KYC) and Customer Due Diligence (CDD) controls that are tailored to prohibit the movement of funds derived from criminal activities and to curb the availability

of funds for terrorist activities and the prevention of illicit financial flows. The Group is guided by regulatory and supervisory standards of bodies that govern our diverse strategic business units such as the Financial Action Task Force (FATF), the Wolfsberg Group, the East and Southern African Anti Money Laundering Group (ESAAMLG) and the Reserve Bank of Zimbabwe Financial Intelligence Unit (FIU). Some of the key controls that have been put in place to minimize Money Laundering and Terrorist Financing risk, include the following: Board and Senior Management Oversight, Board approved AML/CFT Policies and Procedures which are reviewed annually; Risk Based Approach to KYC/CDD; Risk Based Training of all Staff; Independent and Anonymous Reporting Arrangements and Automated solutions for Risk Assessment, Transaction Surveillance, Screening and KYC. We will continue to work with our key stakeholders including our Correspondent Bankers and the FIU to ensure that we maintain a robust AML/CFT governance environment.

Responsible Business and Community Investments

The Group has reoriented its Environmental, Social and Governance (ESG) Policy and adopted an integrated ESG reporting framework based on the International Finance Corporation (IFC) and Global Reporting Initiative (GRI) reporting principles and guidelines. The Group has instituted training for responsible lending for our strategic lending units that include Corporate and Institutional Banking, Credit Management and SME Banking divisions. The Group has aligned its credit policy to the IFC social and environmental management system (SEMS) in line with international best practice for impact investments.

Student education support is at the core of FBC Holdings' corporate social responsibility strategy and the Group prides itself in sponsoring e-Learning initiatives in schools across the country's 10 provinces. We have established e-Learning centers and pledged projectors, smart boards and laptops to these schools. In the period under review, the Group pledged 900 laptops which will benefit an estimated 4000 students countrywide. Currently, the Group

Group Chief Executive's Report (continued)

supports the MSU-FBC Scholarship Fund, sponsoring a number of underprivileged students annually.

The Group continues to champion the cause for the underprivileged in society. We donated an Early Childhood Development (ECD) classroom block for Chikukutu, a rural primary school in Bikita. The Group also donated funds to more than 10 charitable organisations nationwide. The Group values the contribution of sports towards social-economic development. Accordingly, we sponsored the 2017 All Africa Golf Team Championships to the tune of US\$35,000. The Group invested more than US\$148,000 towards sustainable, value driven and mutually beneficial corporate social responsibility in the areas of education, health and sports in 2017.

Environmental Management

FBC Holdings has adopted the IFC and GRI reporting guidelines on environmental management principles in all the sectors it operates in and continually attempts to limit the impact of environmental risks to all its stakeholders. The Group's housing development projects are subjected to Environmental Management Agency (EMA) inspection prior to any construction works. As we look into the future, we believe that protecting the environment and contributing to the development of sustainable food and energy resources is imperative, without which we would compromise the livelihoods of future generations.

Human Capital Development

The Group enjoys a cordial working relationship with its employees across all its subsidiaries, with a total staff complement of just over 700 employees, of whom 20% are in various internship programs across the Group. Critical skills that are essential in delivering service to our valued customers and stakeholders were preserved during the year. Employee commitment to the Group remains satisfactory as reflected by the level of employee engagement which in 2017 surpassed the average level recorded since 2012.

The Group continuously reviews its human resources policies to ensure that areas which increase the level of employee commitment and consequently

productivity are given priority. These include but are not limited to employee relations, talent management, performance management, incentives and rewards, learning and development, employee participation, work life balance, employee wellness, safety and health and other employee related matters which influence employee engagement and productivity.

Information Technology, Digital Transformation and Innovation

In order to continuously improve the FBC brand and customer experience, the Group has re-oriented the business towards digital transformation and innovation. To this end, the Group has made significant progress in leveraging technology to enhance efficiency, lower costs and deliver superior customer experience and convenience through the establishment of a dedicated projects management office and an innovations office that monitors ICT projects and product innovation.

The Group's financial inclusion strategy is focused on broadening access to financial services for the un-banked and under-banked, particularly in the remote areas. The FBC Instant Card and Agency Banking have been introduced to complement existing efforts in marginalized market segments. The Group is proactively integrating the various ICT systems to the core banking system to enable seamless transactions in order to promote financial inclusion.

FBC Holdings continues to maintain a global presence in the international payments market, through the acquirer capability for the VISA international card in addition to the MasterCard product. The Group has implemented an information security management system based on the ISO27001 standard. This has ensured data protection in an era where cyber security is a major concern across the globe. Digital transformation and innovation have become fundamental to the FBC value chain. The Group has assembled a digital transformation and innovation team that is currently reviewing our digital technology architecture with the objective of developing and implementing a digital transformation and innovation strategy in view of our ever changing customer needs.

Group Chief Executive's Report (continued)

The Group invested significantly in technology, digital transformation and innovation as technology continues to shape the future of our diverse businesses in delivering superior customer experience. We have also initiated various digital transformation programs from board level down to the shop floor level across the Group, with a view to align our skills set with the realities of the present and future.

Service Delivery and Customer Experience

FBC Holdings remains committed to delivering excellent and superior service that enhances customer loyalty. The Group has continued on its branch refurbishment drive, creating a more modern ambience for the branches. We are proud to have opened 2 new MicroPlan branches in Hwange and Beitbridge in our relentless efforts to promote financial inclusion countrywide.

Competitive Drive and Product Development

Our product research and development committee, together with the project management office, have become a key component to the overall business strategy as we continue to roll out a diverse range of products in line with our customers' ever-changing needs and expectations, while remaining cognizant of the competitive operating environment. Our integrated Mobile App has given the much needed convenience to customers through improved product access.

Appreciation

I would like to extend my heartfelt appreciation to all our stakeholders and particularly to our valued and loyal customers who have demonstrated unwavering support for the Group in this challenging operating environment. I am also grateful to the FBC Holdings Board of Directors, Management and staff for their guidance, contribution and support in the execution of our business strategy. In this vein, we promise our esteemed stakeholders that the Group will continue to deliver sustainable, innovative and market-leading products to the present and future generations.



John Mushayavanhu
Group Chief Executive
28 March 2018

Sustainability Report

Sustainability Strategy

FBC Holdings' Sustainability Report is prepared with reference to the principles of the Global Reporting Standards. The report is further guided by the Group's Environmental, Social and Governance ("ESG") Policy which is reviewed and approved annually by the FBC Holdings Main Board. The guiding ethos for our Sustainability Strategy is premised on the need to create value for our shareholders, provide superior customer experience to our clients and to be a responsible corporate citizen to all our stakeholders and the communities in which we operate.

The Group has embraced a vision to become a US\$2 billion business in Total Assets by year 2020 through a step by step profitability and growth action plan enshrined in the Group's 2020 strategy blueprint.

The implementation of FBC Holdings' sustainability strategy is monitored at Head Office and reported to the Main Board through the Group Chief Executive. Our corporate social investments are driven by the diversity of our stakeholders and the need for inclusivity and transparency, whilst upholding integrity and accountability in the governance of the diversified financial services Group. We take cognisance of the business risks inherent in our business growth and sustainability strategy and have developed risk management processes premised on the Enterprise-Wide Risk Management Model that ensures a robust risk management culture across all our strategic business units.

FBC Holdings applies Internal Capital Adequacy Assessment Processes (ICAAP) and Stress Tests as part of management's routine tools to ensure that the Group's strategic business units are adequately capitalized at all times and consistent with the units' risk profiles. The Group is also guided by the Basel II Framework on capital adequacy and liquidity management and has adopted the use of IFRS9 for financial services with the guidance of the Reserve Bank of Zimbabwe.

The Group continues to effectively manage its procurement and supply chain for material supplies and has managed to negotiate a series of revisions in procurement costs on key supplies to the business, including ICT consumables.

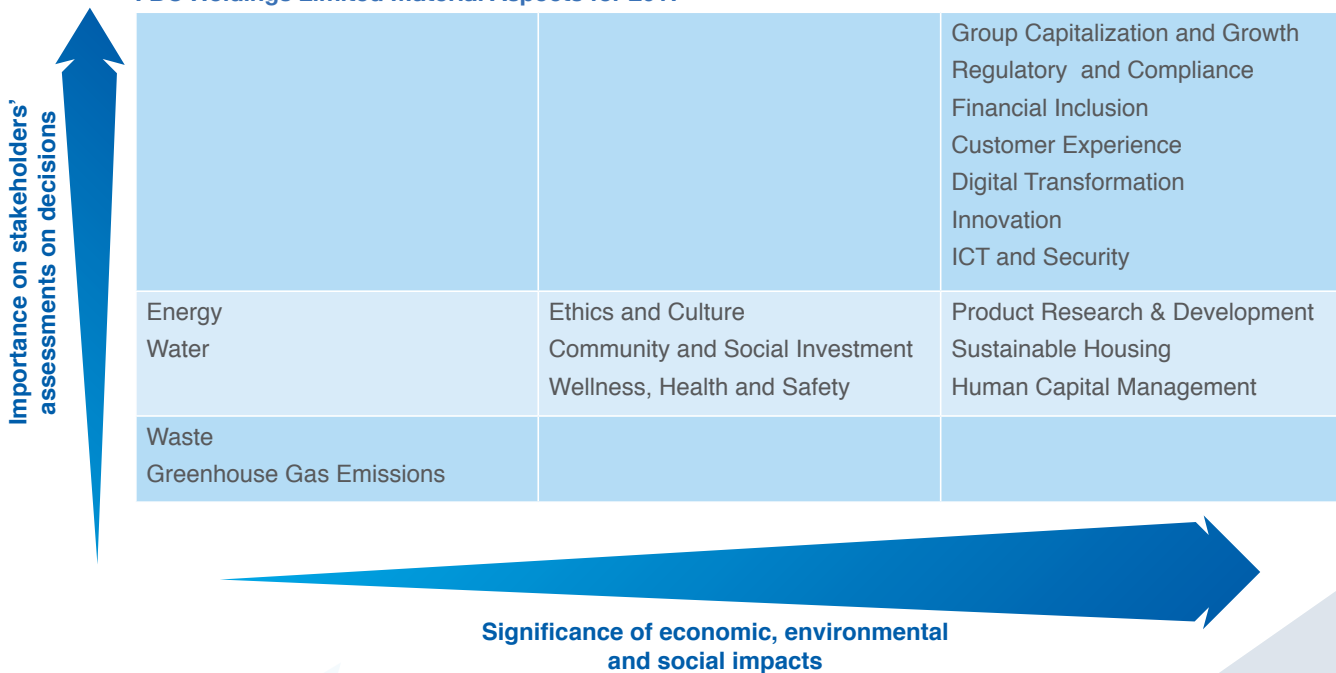
Sustainability Report (continued)

Our Materiality Profiling Process

The Group’s approach to identifying material issues for reporting purposes is influenced by our stakeholder engagement process and relevant aspects to the business which are identified in accordance with the Group’s 2020 Strategy blueprint and the Group’s ESG Policy. We have identified material sustainability issues as those business aspects that have a significant impact on our shareholders, the company’s operations, our customers, our employees and the communities we operate in. The Group will continue to carry out stakeholder engagements in the future and we anticipate that these engagements will continue to improve our materiality profiling as identified from our diverse stakeholders. Our materiality matrix is guided by the Global Reporting Initiative (GRI) principles. The ranking of issues was conducted internally by the FBC team, taking into consideration stakeholder feedback and aspects raised during the year and assessing our business risks and opportunities, including business issues that are core to FBC Holdings’ activities and operations.

FBC Holdings has adopted an inclusive approach in the collection and collation of the material aspects of the business from the view point of stakeholders to formulate this sustainability reporting process.

FBC Holdings Limited Material Aspects for 2017



		Group Capitalization and Growth Regulatory and Compliance Financial Inclusion Customer Experience Digital Transformation Innovation ICT and Security
Energy Water	Ethics and Culture Community and Social Investment Wellness, Health and Safety	Product Research & Development Sustainable Housing Human Capital Management
Waste Greenhouse Gas Emissions		

Sustainability Report (continued)

Our Stakeholder Engagement Process

The Group values the cordial relationships we have with our various stakeholders and believes that our stakeholders are the bedrock of our operations and for the success of our broader strategic objectives. Our stakeholder engagement process is all encompassing and wide ranging to enable the Group to capture an array of views across the whole spectrum of our stakeholders.

Our stakeholder engagement is done through formal and informal processes to afford every stakeholder an opportunity to communicate their views. The table below summarises our approach to stakeholder engagement;

Stakeholder	Mode of Engagement
Our Customer Communities	<ul style="list-style-type: none"> • Roadshows • Social Media • Customer Surveys • Product Promotions • Customer Networking Events
Our Employees	<ul style="list-style-type: none"> • Works Council • Employee Engagement Surveys
Our Suppliers	<ul style="list-style-type: none"> • Formal Meetings • Suppliers' Briefings
Our Shareholders	<ul style="list-style-type: none"> • Annual General Meetings • Investor & Shareholder Briefings
Finance Institutions	<ul style="list-style-type: none"> • Formal Meetings • Presentations & Briefings
Government & Regulators	<ul style="list-style-type: none"> • Policy Briefings • Formal Meetings • Compliance Inspections

FBC Holdings Limited Sustainability Performance

Our Sustainable Growth Strategy

FBC Holdings Limited is an investment holding company listed on the Zimbabwe Stock Exchange in 2001. The Group's principal activities are primarily domiciled in Zimbabwe. The Group offers a diverse suite of financial services through our six strategic business units that include commercial banking, mortgage financing, short-term insurance, re-insurance, securities trading and micro finance. FBC Holdings Limited comprises FBC Bank Limited, FBC Building Society, FBC Reinsurance Limited, FBC Securities (Private) Limited, FBC Insurance Company Limited, and MicroPlan Financial Services (Private) Limited.

We have developed a long term sustainability and business growth strategy founded on the Group's strategic vision to be a US\$2 billion dollar business by year 2020. The execution of this strategy has been visible, with the Group recording US\$712 million in total assets in 2017, which is a remarkable 17% growth from the US\$610 million recorded in 2016.

FBC Holdings is adequately capitalized, with total equity at US\$145 million as at 31 December 2017. The Group's banking subsidiary, FBC Bank Limited has a regulatory capital requirement of US\$100 million by year 2020 and the Bank is set to achieve this target in line with its approved recapitalization plan with its core capital at US\$77.9 million as at 31 December 2017. The Group remains 100% equity financed.

Sustainability Report (continued)

The Group recorded a significant 13% increase in total income from US\$93 million in 2016 to US\$105 million in 2017. The Group's share price recorded a phenomenal 150% growth in 2017 at 20 US cents from 8 US cents in 2016 whilst its net asset value closed at 22 US cents in the reporting period. Total operating expenses stood at US\$57 million and staff related costs comprised 47% of total expenses, reflecting on the Group's business development initiatives and a drive for financial inclusion through product mass marketing.

The Group cherishes the presence of foreign shareholders such as Shore Cap II in its ownership structure which helps to strengthen the Group's sustainability reporting framework and frequency. Furthermore, the Group has solid relationships with international Development Finance Institutions (DFIs) which provide financing for our micro, small and medium enterprises, the youths and women businesses. The DFI partners which include NORAD, PTA Bank, Afreximbank and FAO in conjunction with CARE, require that the Group adhere to agreed international environmental, social and governance ("ESG") principles such as the International Finance Corporation ("IFC") Performance Standards on Environmental and Social Sustainability for financial institutions which the Group has already embedded in its lending policies.

In view of the significance and importance of sustainability reporting for impact investors and development finance institutions, the Group embarked on an ESG training program based on the IFC principles for financial institutions targeting 25 staff members and management drawn from our Credit Division, Corporate Banking, SME Banking, Risk Management, Corporate Finance and Human Resources Departments. The training was intended to equip management and staff on global best practice in environmental, social and governance matters to be applied locally across FBC divisions. In the process, the Group has revised its Credit Policy to include ESG considerations as part of credit granting procedures.

The financial services sector in Zimbabwe continues to face economy-wide cash and nostro challenges and FBC Holdings has not been immune to these challenges. The Group continues to work with the Reserve Bank of Zimbabwe to manage the situation. In this regard, the Group continues to encourage its clients to embrace the use of digital and e-banking payment platforms to ease pressure on the usage of cash for local transactions. The Group has witnessed a surge in volumes of electronic transactions, with its non-interest income growing significantly by 22% from US\$25.9 million in 2016 to US\$31.6 million in 2017.

FBC Holdings has aligned itself to the United Nations ("UN") Sustainable Development Goals ("SDGs") Agenda 2030 through business practices that focus on economic impact and sustainable development. The Group is committed to SDG 8 and aims to promote economic growth and development across all sectors of the Zimbabwean economy.

Our Financial Inclusion Philosophy

FBC Holdings has developed a sustainable long term strategy for financial inclusion for the micro, small and medium enterprises ("MSME") sector in Zimbabwe. The Group has partnered with development finance institutions for the financing of this sector. We are of the strong view that the MSME sector can grow into thriving large corporates through the provision of flexible financial solutions for this important sector of the economy. The growth of the MSME sector has positive long term economic impact for the growth of our business portfolios and the general well being of our customers and of the communities we operate in. Through this strategy, we seek to contribute to SDG 10 on reduced inequalities by facilitating access to finance for our MSMEs and rural communities.

Sustainability Report (continued)

In light of the above, the Group has established two dedicated branches that focus on agri-business value chain, supply chain management in mining, education and energy sectors. With the financial inclusion agenda, in mind, FBC Bank has established a dedicated Women Desk that deals with emerging women enterprises and youth businesses.

Our financial inclusion strategy is focused on broadening access to financial services for the unbanked and under-banked, particularly in the remote parts of Zimbabwe. The FBC Instant Card and Agency Banking have been introduced to complement existing efforts in marginalized market segments. To date, the Group has over 600 agencies and has deployed over 100,000 Instant Cards into the market. The Group is proactively integrating its various ICT platforms to its core banking system to enable seamless transactions that promote financial inclusion.

Agriculture

FBC Bank is involved in the financing of various agricultural value chains for the SME sector as shown below;



The Bank financed the Load Agro Power Tractor Scheme to the tune of US\$1.5 million for the purchase and acquisition of agricultural machinery such as tractors and irrigation facilities. A number of small scale farmers in various farming areas in Zimbabwe benefited from this scheme.

Mining



The Group finances small scale miners in chrome and gold production and we have earmarked US\$3.5 million for small scale miners in 2018. FBC Bank has assisted over 50 small scale miners through its incubation programs and financing facilities including the purchase of mining equipment for small scale miners in the Zvishavane and Shurugwi districts of the Midlands Province.

Sustainability Report (continued)

Green Energy

FBC Holdings has taken the initiative to support the provision of affordable low cost green energy to institutions of learning, particularly in the remote parts of the country through its SME Banking Division. The Bank runs a Schools Solar Lease Finance Scheme with loan amounts of US\$5,000 for a duration of 36 months. The Group is targeting to disburse US\$0.5 million for the schools solar program in 2018.

FBC SME Banking Initiatives

Below is a summary of FBC Bank's lending activities to the SME sector in 2017;

Sustainability Indicator	2016 Actual	2017 Actual	2018 Target
Total value of loans to SMEs	\$9.6m	\$ 14.3m	\$15.4m
Percentage of SME Loans to total loans	4.39%	6.04%	7.00%
Percentage of Total Loans to Women owned SMEs	7.33%	0.29%	0.05%
Total Loan Accounts (Business and Personal) controlled by Women	5,553	4,276	5,000
Percentage of Women with Bank Accounts	22.93%	26.12%	23.11%
Percentage of Loans to Women	15.86%	5.55%	6.00%

The Group had Total Loans and Advances of US\$300.7 million at the end of the year.

Our Rural Financing Initiatives

The Group is cognisant of the need for the provision of banking services to the remote parts of Zimbabwe. The majority of the rural population in the country is generally unbanked and excluded from basic financial services. FBC Holdings, through our microfinance subsidiary, Microplan, continues to drive the Group's financial inclusion strategy by focusing particularly on rural communities. Microplan's services include rural finance, micro business finance, micro insurance and capacity building. The Group has a widespread network of branches both in the urban and rural areas. A number of smallholder projects have benefited from Microplan in collaboration with development finance institutions such as FAO, in partnership with CARE.

The table below provides a summary of statistics for Microplan's financing activities;

Sustainability Indicator	2016 Actual	Change		2017 Actual
		Move	%	
Total Value of Microplan Loans	\$17.5m	▲	29%	\$22.6m
Total Value of Rural Loans	US\$2.2m	▲	36%	\$3.0m
Number of Branches**	17	▲	12%	19
Number of Rural Branches	9	▲	22%	11
Total Number of Active Clients across Microplan	12,813	▲	12%	14,328
Total Number of Active Loan Clients in Rural Areas	2,436	▲	29%	3,152

**In addition to 25 FBC Bank branches country wide.

Sustainability Report (continued)



Small Scale Butternut Farmer in Nyamusosa, Rusape.



Butternut Farmer Nyamusosa, Rusape.



Seed Maize Farmer in Nyamusosa, Rusape.



Microplan Loans Officer explains the Agricultural Input Scheme to Rural Farmers in Guruve.

Customer Due Diligence (CDD) and Regulatory Compliance

The Group continues to subscribe to international best practice in the prevention of money laundering and terrorist financing. Our Compliance Charter is guided by global regulatory and supervisory bodies such as the Financial Action Task Force (FATF), the Wolfsberg Group, the East and Southern African Anti Money Laundering Group (ESAAMLG) and the Reserve Bank of Zimbabwe Financial Intelligence Unit (FIU). Furthermore, FBC Holdings has adopted a waterproof KYC and anti-money laundering (AML) and countering of the financing of terrorism (CFT) in accordance with the guidance and regular reviews from correspondent bankers.

In view of the significance of, and the need to minimize the negative impact of money laundering and terrorist financing risk, the Group has implemented robust policies and systems that include: Board approved AML/CFT Policies and Procedures which are reviewed annually; Risk Based Approach to KYC/CDD; Risk Based Training to all Staff; Independent and Anonymous Reporting Arrangements and Automated Client Screening Systems.

Information Technology, Digital Transformation and Innovation

In an effort to continuously improve the FBC brand and customer experience, the Group has re-oriented the business towards digital transformation and innovation. To this end, the Group has made significant progress in leveraging technology to enhance efficiency, lower costs and deliver superior customer experience and

Sustainability Report (continued)

convenience through the establishment of a dedicated project management office and an innovations office that monitor ICT projects and product innovations.

Digital transformation and innovation have become fundamental to the FBC value proposition. The Group has assembled a digital transformation and innovation team that is currently reviewing our digital technology architecture with the objective of developing and implementing a digital transformation and innovation strategy in view of the ever changing customer needs.

The Group budgeted US\$11 million for investment in technology and digital transformation and innovation as technology continues to shape the future of our diverse businesses in delivering superior customer experience. We have also initiated various digital transformation programs from Board level right through to every level across the Group, with a view to reorient our skills set towards the realities of the future.

FBC Holdings conducted a Digital Transformation and Innovation Master Class in November 2017 attended by Directors and Senior Management, signaling the beginning of a new dawn for the Group and the significance of ICT in defining the overall strategic direction for the FBC brand. The major objective is to inculcate and fuse the fundamental aspects of digitalisation across the Group in response to changing ICT trends globally.



Herbert Nkala (FBC Group Chairman – far right), John Mushayavanhu (FBC Group Chief Executive – far left) and Gary Collins during the official launch of the Digital Transformation and Innovation Master Class in November 2017.

Sustainability Report (continued)



FBC Group Management Team attending the 2017 Digital Transformation Master Class at Meikles Hotel.

Cyber Risk and Information Security

Cognisant of the security risks associated with information technologies, the Group has implemented an Information Security Management System based on the ISO27001 standard. This has enabled preservation of confidentiality, integrity and security of our Information Systems including the valuable processed information and will ensure the protection of stakeholder value against the rampant cyber risks.

Competitive Drive and Service Excellence

FBC Holdings remains committed to delivering excellent and superior service that enhances our competitive advantage in the market space. The Group places its customers at the core of its growth and sustainability strategy and believes customer service and experience will define the direction of our business operations. The Group continues to offer market-leading products that are tailored and sensitive to the diverse segments of our customer needs. With the continued cash shortages, the Group's banking units have developed low cost digital and electronic banking solutions that address our clients' varied service expectations.

The summary below provides a statistical overview of the Group's customer service performance in 2017;

	Customer base	Branches	Other
Banking Business	+400,000	25	
Insurance Business	+220,000	5	
Microfinance	+14,000	19 (11 rural)	
Hospital Cash Plan	+200,000	-	
Agency Banking	+600 Agents	-	
POS Machines	-	-	6,300
Instant Cards	-	-	100,000
Mobile Banking	+300,000	-	
Totals	+600,000	49	

The Group's Mobile Banking App continues to bring virtual convenience to customers and consumers who now enjoy our banking products and services at the click of a button and this has practically brought banking into our clients' homes.

Sustainability Report (continued)

The Group's digital banking platforms continue to contribute immensely to the ease of transaction processing for our over 600,000 clients. Our Point of Sale (POS) terminals contributed 73% to the over 54 million in transactions we processed in 2017. The Group's total fees and commission income increased by 22% from US\$25.9 million in 2016 to US\$31.6 million in 2017.

Our branch ambiance remains a key attribute in the provision of a superior customer experience for our clients. The Group continues to refurbish its branches countrywide to enable a conducive business environment for our customers. We value customer feedback and always endeavour to be in constant communication with our customers through surveys, customer networking events, social media platforms and client visits.

Product Research and Development

Our product research and development committee, together with the project management office and innovations office have become critical to our overall business strategy, as we continue to roll out a diverse range of products in line with our customer needs and expectations in a competitive environment. Our product development team is tasked with the development of market leading and 'best in class' integrated product solutions that will enhance customer convenience through improved product access throughout the value chain.

Sustainable Housing Development

FBC Holdings, through the Building Society, has continued to deliver sustainable and affordable housing to the country through its housing development projects since 2009. The Group targets the low, medium and high density sectors of the economy and has delivered over 1,020 housing units at a cost of US\$50 million since dollarization, having completed various projects in Harare, Gweru and Kwekwe. The Building Society delivered 64 low density houses at a cost of US\$8.1 million in 2017 and has budgeted US\$10 million for low cost, high density housing development in Harare, Zvishavane and Hwange in 2018. The Group has contributed positively towards the reduction of the national housing backlog after a 7% contribution to the 905 new low density houses constructed in 2017 nation-wide.



A construction truck acquired by Building Society Projects in 2017.

Sustainability Report (continued)

To ensure the safety and quality of our construction projects, the Building Society has acquired state of the art construction vehicles and safety apparel for use by staff in line with industry norms and global health and safety standards. The Group's construction projects are subject to local environmental impact assessments (EIA) conducted by the Environmental Management Agency (EMA) prior to commencement of development works. The Building Society incorporates eco-friendly solutions on its housing developments such as solar systems.

As a way of employment creation and empowering communities where the Group operates, the Building Society employs over 650 skilled local small scale contractors. These in turn sub contract their own local teams, thereby further creating positive downstream employment benefits and livelihood impacts. The Group's internal qualified architects, engineers, valuers and building foremen work with the small scale contractors to ensure product quality and affordability. These initiatives have had significant benefits to our contractors and the communities in which we operate.

Human Capital Development

FBC Holdings is an equal opportunity employer and does not discriminate on the basis of gender, color or race. The Group is guided by and observes local and international labour and manpower legislation on fair labour practices. Our recruitment policy aims at attracting, developing and retaining appropriately qualified and competent personnel across all our business units. Employee retention levels for 2017 remained steady at 97% and our staff engagement level improved significantly from 66.6% in 2016 to 70.3% in 2017.

We had no major shifts in the Group's employee structure for the period under review. There was only one new male recruit in 2017 for our innovations office whilst 9 male and 5 female employees left the Group to pursue other interests.

The Group is committed to sound employee wellness and ensures that there is a sustainable work-life balance in the manner in which human capital is deployed and managed. The Group prioritises employee relations, talent management, performance management, incentives and rewards, learning and development, employee participation, safety and health and other employee related matters which influence employee engagement and productivity.

Our Human Resources Division is in the process of acquiring an e-learning management system to facilitate easier access to training materials to a wider population of employees through the deployment of on-line programs.

Group Employee Structure

Designation	Total	Male	Female
Group Chief Executive	1	1	0
Managing Directors	6	6	0
Executive Directors	10	8	2
Managers	337	185	152
Graduate Trainees	-	-	-
Clerical	155	86	69
Non-clerical	38	10	28
Total (Permanent)	547	296	251
Students on attachment	98	56	42
Contract Workers	178	107	71
Grand Total	823	459	364

Sustainability Report (continued)

The Group has over 540 permanent staff with a diversified skills base and values the contribution of every team member to the sustainability of the business. The Group's recruitment policy is non-discriminatory with 45% of employees being female and promoting SDG5 on gender equality. We have a fairly young staff complement with 80% of employees being below the age of 45 years. In this regard, business continuity and succession planning are guaranteed. The Group values the future of the organisation and prioritises talent development. As a result, over 90 staff members are employed as attachment students and interns.

All our non-managerial staff members belong to various unions that govern the diverse sectors in which our businesses operate such as the Zimbabwe Bankers and Allied Workers Union, Zimbabwe Insurance Workers Union and the Commercial Workers Union of Zimbabwe which help to advance the welfare of our employees in addition to our internal remuneration policies.

Corporate Ethics and Culture

The FBC Group is a performance driven institution. Our core values are founded on the principles of Commitment, Teamwork, Communication, Integrity, Life Long Learning and Entrepreneurship. The Group is guided by the codes of conduct in the industries in which our strategic business units operate. In addition, we have an internal code of ethics that govern employee behaviour across the Group. To enhance our corporate culture and integrity, FBC Holdings uses a hotline and a whistle blowing mechanism through Tip Offs Anonymous administered by Deloitte & Touche to communicate unethical and corrupt tendencies amongst employees.



The strength and sustainability of the Group is complemented by the diversity and team spirit of our staff members.

Sustainability Report (continued)

Corporate Achievements and Awards

FBC Holdings achieved a memorable milestone in June 2017 when it celebrated its 20th anniversary, having commenced its operation on the 1st of June 1997. In keeping with its culture of excellence, the Group and its subsidiaries continue to excel in the various spheres of their business operations.

The Group won The Best Banking Company of The Year Award in The Zimbabwe Independent Quoted Companies Survey 2017. It also won the Institute of Chartered Secretaries and Administrators in Zimbabwe (“ICSAZ”) Best Stakeholder Practices and Sustainability Reporting Award in 2017. In addition, the Group and its subsidiaries, won the following Awards:

- FBC Bank - First Runner-up-Service Excellence Award in the Banking Sector Category in the Contact Centre Association of Zimbabwe (CCAZ) awards;
- FBC Building Society - The Best in Property Development in the Residential Projects Category for the Chartered Institute of Project Managers Zimbabwe (CIPMZ);
- FBC Bank - Merit Awards for the Best Banking Risk Management Disclosures
- FBC Bank - Second Prize for the Best Banking Internal Audit Disclosures;
- FBC Bank - Second Prize for Overall Best Banking Corporate Governance Disclosures
- FBC Bank - Third Prize for Best Banking Board Governance Disclosures

The Group’s corporate culture and governance framework is further enhanced by the presence of some of our Directors in various self-regulatory bodies as follows:

Benson Gasura – Managing Director – FBC Securities Limited: President – Institute of Directors.

Webster Rusere – Managing Director – FBC Bank Limited: Vice President – Bankers Association of Zimbabwe.

Barnabas Vera – Divisional Director – Group Internal Audit: President – Institute of Internal Auditors of Zimbabwe.

Agrippa Mugwagwa – Executive Director – Retail and e-Commerce: President – Marketers Association of Zimbabwe.

Dr Israel Murefu – Divisional Director – Human Resources: 1st Vice President – Employers’ Confederation of Zimbabwe.

Musa Bako – Managing Director – FBC Insurance Company Limited: Chairman – Insurance Council of Zimbabwe.



FBC Holdings Group Company Secretary Tich Mabeza (Centre) receives the Corporate Governance Award.



FBC Bank Team receives the Contact Centre Association of Zimbabwe (CCAZ) Customer Service Excellence Award.

Sustainability Report (continued)



Felix Gwandekwande (FBC Building Society Managing Director –right) receives the CIPMZ Award for Best Project Management (residential).

Social Impacts and Community Investments

Education

FBC Group has identified education as a significant pillar in our sustainability and corporate social responsibility strategy and we have aligned ourselves to SDG 4 in provision of quality education in the communities we operate. In this regard, the Group has signed a 5 year Memorandum of Understanding with the Ministry of Primary and Secondary Education for the sponsorship of the Secretary's Merit Awards. This will further enhance the already existing relationship with this Ministry, which has seen the Group donating 900 laptops and tablets to 20 schools across the country's 10 provinces. This initiative has benefited an estimated 8,000 students countrywide through the establishment of technology centres in the chosen schools.



FBC Bank Limited Managing Director Webster Rusere – right signs the Secretary's Merit Awards Sponsorship MOU together with Primary and Secondary Permanent Secretary Dr. Sylvia Utete Masango.



Webster Rusere congratulates Dr. Sylvia Utete Masango after the MOU signing ceremony.

Sustainability Report (continued)

The FBC-MSU Scholarship Fund

The Group supports 5 Midlands State University (MSU) students annually under the FBC-MSU Scholarship Fund to the tune of \$6,000. The Group is strategically targeting education as its primary theme for corporate social responsibility initiatives. We aim to support the education and learning infrastructure across the 10 provinces in Zimbabwe. We are committed to contributing towards SDG 4 on the provision of quality education as part of our national contribution.

FBC's Long Life Learning Vision

In line with our commitment to SDG 4 in the provision of quality education, the Group promotes long life learning for its staff through various initiatives including honorariums for employees who excel in their educational endeavours. A significant number of staff members continue to benefit from the Group's Long Life Learning initiatives annually. This initiative promotes continuous up-skilling and knowledge enhancement for employees at the work place.



FBC staff members celebrate after receiving their diplomas from the Institute of Bankers Of Zimbabwe in 2017.

Donations and Sponsorships

Our microfinance unit, Microplan, donated computer equipment valued at US\$5,000 to the Great Zimbabwe University. This donation will go a long way in assisting the computerisation programmes for the University and improve the accessibility of ICT products for the both students and university staff.

The Group donated an ECD classroom block for Chikukutu Primary School in Bikita. We also sponsored the 2017 All Africa Golf Team Championships held at Elephant Hills Hotel in Victoria Falls to the tune of US\$35,000. All in all, the Group invested more than US\$148,000 towards sustainable, value driven and mutually beneficial corporate social responsibility (CSR) initiatives in the education, health and sports sectors.

Sustainability Report (continued)



ECD Classroom Block donated to Chikukutu Primary School in Bikita, Masvingo Province.



The Great Zimbabwe University Team receives computer equipment donated by Microplan.

Sustainability Report (continued)



Zimbabwe National Golf Team during the All Africa Golf Team Championships 2017 Sponsored by FBC Bank Limited.

Product Promotions

The Pick n Pay Bargain Bonanza

The Group's banking subsidiary, FBC Bank Limited, participated in the Pick n Pay Bargain Bonanza as a way of giving back to the community and promoting financial inclusion through encouraging the use of plastic money in light of the prevailing cash constraints.



Roy Nyakunuwa (FBC Brand Manager-third from left) and Stella Phiri (FBC Bank Borrowdale Branch Manager-second from left) hand over the US\$10,000.00 prize to Keretia Chikowe (third from right).

Sustainability Report (continued)

FBC e-Life by Choice Promotion

In an effort to drive FBC's digital payment platforms, the Group ran the FBC e-Life by Choice Promotion that sought to promote the use of the Group's e-banking services such as the FBC Mobile Banking Application; Mobile Money (Moola); Internet Banking; FBC Prepaid MasterCard and the FBC Mobile Moola Instant Card.



Cephas Rundogo (right) and his family pose for a photo with their brand new car.

Safety, Health and Wellness

FBC Holdings is keenly interested in the safety, health and wellness of our stakeholders including our employees. The Group has a Health and Safety Policy that regulates health and safety issues in the workplace. We have trained First Aid ambassadors in our various strategic business units who are competent to render basic first aid assistance when necessary.

The Group offers a multiplicity of sporting disciplines as part of our wellness initiatives at our social club, FBC-Old Hararians ("FBC-OH"). The sporting facilities are open to our employees and their families and the Group's Health and Safety policy offers timely education on health and safety issues including chronic ailments.



FBC Netball Team going through its paces during a training session.



Terence Malunga FBC Soccer Team (in blue) dribbles past an opponent during a soccer match.

Sustainability Report (continued)



FBC staff during the Zimpapers Cancer Power Walk.



University of Zimbabwe Soccer Team in branded Microplan t/shirts during the ("CZSUSG") games.

The Group is also conscious of the health and wellness of the communities in which we operate. Our microfinance unit, Microplan, sponsored the Chancellor of Zimbabwe State Universities Staff Games ("CZSUSG") held in Bindura in 2017. The event had over 700 staff members from the country's 9 Universities. Microplan donated branded corporate shirts, caps and some refreshments.

Environmental Management

The FBC Group is aware and values the importance of conserving the environment through effective management of energy, water, waste and greenhouse gases in our business operations, the communities we operate in and at the workplace. The revised FBC Group Environmental, Social and Governance ("ESG") Policy has added greater impetus in the manner in which we view environmental impact on our stakeholders. Our ESG Policy is reviewed and approved annually by the FBC Holdings Main Board.

The Building Society's housing projects are subject to an environmental impact assessment and are approved for compliance by the Environmental Management Authority (EMA). Our ESG policy has now been embedded in the Group's Credit Policy which has greatly improved the way we view our lending and investing activities.

John Mushayavanhu
(Group Chief Executive)

Tichaona K. Mabeza
(Company Secretary)

Directors' Report

The directors have pleasure in submitting the annual report and financial statements, for the financial year ended 31 December 2017, for FBC Holdings Limited.

ACTIVITIES AND INCORPORATION

FBC Holdings Limited ("the Company") and its subsidiaries (together "the Group") are incorporated and domiciled in Zimbabwe. The Group comprises of five wholly-owned subsidiaries and one subsidiary controlled 95%. The Group, through its subsidiaries, provides a wide range of commercial banking, mortgage financing, short term reinsurance, short term insurance, stockbroking, micro financing and other related financial services

AUTHORISED AND ISSUED SHARE CAPITAL

The authorised share capital of the Company was 800 000 000 ordinary shares of a nominal value of US\$0.00001 each as at 31 December 2017. The issued and fully paid ordinary shares remained at 671 949 927 ordinary shares of US\$0.00001 with no movements during the year. The details of the authorized and issued share capital are set out in note 19.3 of the consolidated financial statements.

RESERVES

The Group's total shareholders' equity attributable to equity holders of the parent as at 31 December 2017 was US\$144 223 388 (2016: US\$123 418 446).

FINANCIAL STATEMENTS

The results reflected a profit before income tax for the year of
Income tax expense

Profit for the year

Equity holders of the parent
Non-controlling interest

	2017 US\$	2016 US\$
	29 303 554	25 675 705
	(6 055 324)	(3 737 979)
	23 248 230	21 937 726
	23 197 279	21 885 495
	50 951	52 231
	23 248 230	21 937 726

DIRECTORS' INTERESTS

As at 31 December 2017, the Directors' interest in the issued shares of the Company directly or indirectly is shown below:

Directors' shareholding

Number of shares

	Direct holding	Indirect holding	Total
H. Nkala (Group Chairman)	-	410 339	410 339
J. Mushayavanhu (Group Chief Executive)	142 241	31 760 865	31 903 106
T. Kufazvinei (Executive Director)	35 114	11 408 184	11 443 298
W. Rusere (Executive Director)	5 000	10 165 352	10 170 352
F. Gwandekwande (Executive Director)	7 344	-	7 344
C. Mtasa (Non-Executive Director)	10 000	-	10 000
	199 699	53 744 740	53 944 439

The other directors have no shareholding in the Company.

Directors' Report (continued)

CAPITAL ADEQUACY

The following subsidiaries have their capital regulated by the regulatory authorities:

FBC Bank Limited, FBC Building Society and Microplan Financial Services (Private) Limited are all regulated by the Reserve Bank of Zimbabwe ("RBZ"). The Securities Commission of Zimbabwe ("SECZ") sets and monitors capital requirements for the stockbroking subsidiary and the Insurance and Pensions Commission ("IPEC") sets and monitors capital requirements for the insurance subsidiaries.

The capital position for these subsidiaries is detailed in the table below;

Company As at 31 December 2017	Regulatory Authority US\$	Minimum capital required US\$	Discounted Capital US\$	Total Equity
FBC Bank Limited	RBZ	25 000 000	75 188 472	77 936 562
FBC Building Society	RBZ	20 000 000	47 392 883	47 503 334
FBC Reinsurance Limited	IPEC	7 500 000	13 626 886	13 626 887
FBC Securities (Private) Limited	SECZ	150 000	1 054 128	1 054 129
FBC Insurance Company (Private) Limited	IPEC	2 500 000	7 367 424	7 367 425
Microplan Financial Services (Private) Limited	RBZ	25 000	9 542 669	9 542 669
As at 31 December 2016				
FBC Bank Limited	RBZ	25 000 000	63 506 925	65 066 009
FBC Building Society	RBZ	20 000 000	41 153 844	41 271 010
FBC Reinsurance Limited	IPEC	1 500 000	12 952 212	12 952 212
FBC Securities (Private) Limited	SECZ	150 000	622 937	622 937
Eagle Insurance Company (Private) Limited	IPEC	1 500 000	6 532 692	6 532 692
Microplan Financial Services (Private) Limited	RBZ	10 000	7 055 800	7 055 800

At 31 December 2017, the banking subsidiary's capital adequacy ratio computed under the Reserve Bank of Zimbabwe regulations was 18% and that of the building society was 57%, against the statutory minimum ratios of 12%. The respective capital adequacy ratios are determined as illustrated below.

FBC Bank Limited capital adequacy ratio	31-Dec-17 US\$	31-Dec-16 US\$
Ordinary share capital	18 502 313	18 502 313
Share premium	13 197 687	13 197 687
Retained profits	43 317 212	31 337 984
General reserve	-	-
Capital allocated for market and operational risk	(9 852 623)	(9 223 835)
Advances to insiders	(2 748 090)	(1 559 084)
Tier 1 capital	62 416 499	52 255 065
Other reserves	2 919 350	2 028 025
General provisions	-	-
Tier 1 and 2 capital	65 335 849	54 283 090
Tier 3 capital allocated for market and operational risk	9 852 623	9 223 835
	75 188 472	63 506 925
Risk weighted assets	412 280 311	293 929 876

Directors' Report (continued)

	31-Dec-17 US\$	31-Dec-16 US\$
FBC Bank Limited capital adequacy ratio		
Tier 1 ratio (%)	15%	18%
Tier 2 ratio (%)	1%	1%
Tier 3 ratio (%)	2%	3%
Capital adequacy ratio (%)	18%	22%
Minimum Statutory Capital adequacy ratio	12%	12%
FBC Building Society capital adequacy ratio		
Share capital and share premium	11 266 599	11 266 599
Accumulated surplus	36 123 275	29 910 495
Capital allocated for market and operational risk	(1 953 645)	(1 765 937)
Advances to insiders	(110 451)	(117 165)
Tier 1 capital	45 325 778	39 293 992
Non distributable reserves	-	-
Revaluation reserves	113 460	93 915
Tier 1 and 2 capital	45 439 238	39 387 907
Tier 3 capital allocated for market and operational risk	1 953 645	1 765 937
	47 392 883	41 153 844
Risk weighted assets	82 513 703	87 333 634
Tier 1 ratio (%)	55%	45%
Tier 2 ratio (%)	0%	0%
Tier 3 ratio (%)	2%	2%
Capital adequacy ratio (%)	57%	47%
Minimum Statutory Capital adequacy ratio	12%	12%

DIVIDEND

A final dividend of 0.8417 US cents per share was declared by The Board on 28 March 2018 payable on 671 949 927 ordinary shares in issue in respect of the year ended 31 December 2017. The dividend is payable to Shareholders registered in the books of the Company at the close of business on Friday, 13 April 2018. The shares of the company will be traded cum-dividend on the Zimbabwe Stock Exchange up to the market day of 6 April 2018 and ex-dividend as from 9 April 2018. Dividend payment will be made to Shareholders on or about 24 April 2018.

Directors' Report (continued)

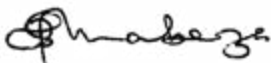
DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for the preparation and the integrity of the financial statements that fairly present the state of the affairs of the Group as at the end of the financial year, the statement of comprehensive income, changes in equity and cash flows for the year and other information contained in this report. The Group's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations and in the manner required by the Zimbabwe Companies Act (Chapter 24:03), and the relevant Statutory Instruments ("SI") SI 33/99 and SI 62/96. The financial statements are based on statutory records that are maintained under the historical cost convention as modified by the revaluation of property, plant and equipment, investment property and financial assets at fair value through profit or loss.

INDEPENDENT AUDITOR

Messrs. Deloitte & Touche have expressed their willingness to continue in office and shareholders will be asked to confirm their re-appointment at the forthcoming Annual General Meeting and to fix their remuneration for the past year.

By order of the Board



Tichaona K. Mabeza
COMPANY SECRETARY
28 March 2018

Preparer of Financial Statements

These annual financial statements have been prepared under the supervision of Trynos Kufazvinei and have been audited in terms of the Companies Act (Chapter 24:03) of Zimbabwe.



Trynos Kufazvinei CA(Z)
PAAB Number: 00293

Company Secretary's Certification



I certify that, to the best of my knowledge and belief, the Company has lodged with the Registrar of Companies all such returns as are required to be lodged by a public company in terms of the Companies Act (Chapter 24:03) of the Republic of Zimbabwe, and that all such returns are true, correct and up to date.

A handwritten signature in black ink, appearing to read 'T. Mabeza', written in a cursive style.

Tichaona K. Mabeza
COMPANY SECRETARY
28 March 2018

Board of Directors



HERBERT NKALA
B.Sc. Hons, MBA
(CHAIRMAN)

Appointed to the FBC Holdings Limited Board in November 2002. He is a Chairman and director of several other companies, which are listed on the Zimbabwe Stock Exchange.



JOHN MUSHAYAVANHU
AIBZ, DIP MANAGEMENT, MBA
(GROUP CHIEF EXECUTIVE)

John is an Associate of the Institute of Bankers in Zimbabwe ("AIBZ"), and holds a Diploma in Management from Henley Management College, United Kingdom, as well as a Masters degree in Business Administration from Brunel University, United Kingdom. A career banker, John has over 37 years in the financial services sector. He has previously held senior positions in corporate and retail banking with a local multinational bank. John is a former President of the Bankers Association of Zimbabwe ("BAZ"). John joined FBC Bank as an Executive Director in the Corporate Banking division in October 1997. He became Managing Director in 2004 and was appointed Chief Executive of FBC Holdings on the 1st of June 2011.



GERTRUDE SIYAYI CHIKWAVA
MSc Strategic Management, AIBZ
(NON-EXECUTIVE DIRECTOR)

Appointed to the Board of FBC Holdings Limited in December 2009. She is a director of several other companies.



PHILIP MHARIDZO CHIRADZA
(MSc - Strategic Management),
Dip (Gen Management)
(NON-EXECUTIVE DIRECTOR)

Appointed to the Board of FBC Holdings Limited in June 2005. He is the former Managing Director of Beverley Building Society and is also a director of several other companies.

Board of Directors (continued)



KLETO CHIKETSANI
 Bachelor of Business Studies (Honours) (UZ), AIISA (EXECUTIVE DIRECTOR)
 Kleto has over 24 years experience in reinsurance gathered with two leading reinsurers in Zimbabwe. He is one of the founder members of FBC Reinsurance Limited, having joined the company (then Southern Africa Reinsurance Company Limited) on 1 January 1995 as Senior Underwriter and rose through the ranks to become Executive Director, Operations of FBC Reinsurance Limited in 2006. He holds a Bachelor of Business Studies (Honours) Degree from the University of Zimbabwe and is also an Associate of the Insurance Institute of South Africa. He was appointed Managing Director for FBC Reinsurance Limited on 1 March 2012.



FELIX GWANDEKWANE
 AIBZ, MBA in Accounting, Banking and Economics (UK) (EXECUTIVE DIRECTOR)
 Felix was appointed Managing Director of FBC Building Society on the 1st of June 2011. A career banker, chartered marketer, and a holder of a Masters in Business Administration from Nottingham Trent University, Felix has over 29 years experience in the financial services industry encompassing most aspects of banking. He joined FBC Bank in 1998, rising through branch management and heading the Bank's Retail Operations.



FRANKLIN HUGH KENNEDY
 Business Administration (Honours) (NON EXECUTIVE DIRECTOR)
 Franklin is currently the President of Equator Capital Partners LLC and is director of several other companies. He is a holder of a Bachelor of Business Administration (Honours) degree from the University of Western Ontario, Canada. He was appointed to the Board of FBC Holdings Limited on 18 December 2013.



TRYNOS KUFAZVINEI
 B Acc (Hons), CA(Z), MBA (GROUP FINANCE DIRECTOR)
 Trynos is a Chartered Accountant (Zimbabwe) who completed his articles with Pricewaterhouse and holds a Masters degree in Business Administration from the University of Manchester, United Kingdom. Trynos is responsible for the finance and administration matters of FBC Holdings Limited. He has over 26 years experience in finance and administration. Trynos joined FBC Bank Limited in January 1998 as Head of Finance and Administration and was appointed to the board in October 2003. He became Group Finance Director in 2004 following the consolidation of the FBC Group and was appointed the Deputy Chief Executive of the FBC Group on the 1st of June 2011.

Board of Directors (continued)



CANADA MALUNGA
B.Acc (Hons), CA(Z)
(NON-EXECUTIVE DIRECTOR)

Canada, a Chartered Accountant (Zimbabwe) by training who completed his articles with Pricewaterhouse, has wide experience in various sectors of commerce and industry in Zimbabwe. He is the Managing Director of Masimba Holdings Limited. He was appointed to the Board of FBC Holdings Limited on the 8th of June 2011.



CHIPO MTASA
B.Acc (Hons), CA(Z)
(NON-EXECUTIVE DIRECTOR)

Chipo, is a Chartered Accountant (Zimbabwe) who completed her articles with Coopers & Lybrand. She has wide experience in various sectors of commerce and industry in Zimbabwe. She is the former Group Chief Executive for the Rainbow Tourism Group and is currently the Managing Director of Telone and director of several other companies. She was appointed to the Board of FBC Holdings Limited on the 3rd of July 2012.



GODFREY GAVIRO NHEMACHENA
BSc. Soc
(NON-EXECUTIVE DIRECTOR)

Appointed to the Board of Directors of First Banking Corporation Limited in June 2002 and to the Board of FBC Holdings in August 2004. He holds directorships in a number of other companies. He is the former Town Clerk for the City of Gweru and is the past Chairman of the Local Authorities Pension Fund.



WEBSTER RUSERE
AIBZ, MBA
(EXECUTIVE DIRECTOR)

Webster commenced his banking career in 1982 and rose through the corporate and retail banking ranks to become Head of Global Trade Finance and Cash Management Services in 1995 of a local multinational bank. He also served in other senior positions covering Local and Foreign Treasury Management, International Trade Finance, Correspondent Banking and Fund Management. He joined FBC Bank Limited in March 2000 as Project Manager and rose to become Managing Director of FBC Bank Limited Congo Sarl in November 2000. After the expiry of the DRC management contract in 2004, he was appointed Head of Retail Banking Division. He held the position of Managing Director at FBC Building Society for four years and was appointed Managing Director for FBC Bank Limited on the 1st of June 2011.



ROBIN VELA
BSC Economics and Accounting (Honours), FCA, FCSI
(NON EXECUTIVE DIRECTOR)

Appointed to the Board of FBC Holdings Limited on 7 October 2015. Robin is a Chartered Accountant and has worked for various international organisations in the United States of America, United Kingdom, South Africa and Swaziland. He sits on a number of Boards and is the Chairman of National Social Security Authority.

Corporate Governance

The Board is committed to the principles of openness, integrity and accountability. It recognises the developing nature of corporate governance and assesses its compliance with local and international generally accepted corporate governance practices on an ongoing basis through its various subcommittees.

Guidelines issued by the Reserve Bank of Zimbabwe, Security Commission of Zimbabwe and Insurance and Pension Commission from time to time are strictly adhered to and compliance check lists are continuously reviewed. The Board of Directors comprises of five executive directors and eight non-executive directors. The composition of the Board of FBC Holdings Limited shows a good mix of skill, experience as well as succession planning. The Group derives tremendous benefit from the diverse level of skills and experience of its Board of Directors.

The Board is responsible to the shareholders for setting the direction of the Group through the establishment of strategies, objectives and key policies. The Board monitors the implementation of these policies through a structured approach to reporting and accountability.

Board Attendance

Board member	Main board				Board Audit				Board HR				Board Finance & Strategy				Board Risk & Compliance				Board Marketing & PR			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Herbert Nkala	✓	✓	✓	✓	N/A	N/A	N/A	N/A	✓	✓	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Chipo Mtasa	✓	✓	✓	✓	✓	✓	✓	✓	N/A	N/A	N/A	N/A	*	✓	✓	✓	N/A	N/A	N/A	N/A	✓	*	✓	✓
John Mushayavanhu	✓	✓	✓	✓	N/A	N/A	N/A	N/A	✓	✓	N/A	N/A	✓	✓	✓	✓	✓	✓	N/A	N/A	✓	✓	✓	✓
Kleto Chiketsani	✓	✓	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Gertrude S Chikwava	✓	✓	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Philip Chiradza	✓	*	✓	✓	N/A	N/A	✓	✓	✓	✓	✓	✓	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Felix Gwandekwande	✓	✓	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Franklin Kennedy	✓	✓	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	✓	✓	N/A	N/A	N/A	✓	✓	N/A	N/A	N/A
Trynos Kufazvinei	✓	✓	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Canada Malunga	✓	✓	✓	✓	✓	✓	✓	✓	N/A	N/A	N/A	N/A	✓	✓	✓	N/A	N/A	N/A	✓	✓	✓	✓	N/A	N/A
Godfrey G Nhemachena	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	N/A	N/A	N/A	N/A	✓	✓	N/A	N/A	N/A	N/A	✓	✓
Webster Rusere	✓	✓	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Robin Vela	✓	✓	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	✓	✓	✓	*	✓	✓	✓	✓	N/A	N/A	N/A	N/A

Legend

Not a member	N/A	Attended	✓	Apologies	*	QUARTER	Q	Meeting postponed	P
--------------	-----	----------	---	-----------	---	---------	---	-------------------	---

The Board meets regularly, with a minimum of four scheduled meetings annually. To assist the Board in the discharge of its responsibilities a number of committees have been established, of which the following are the most significant:

Board Finance and Strategy Committee

Members

- C. Malunga (Chairman)
- G. Chikwava
- P. M. Chiradza
- C. Mtasa
- J. Mushayavanhu
- R. Vela

Corporate Governance (continued)

The Board Finance and Strategy Committee has written terms of reference. This committee is constituted at Group level and oversees the subsidiary companies. It is chaired by a non-executive director. Meetings of the Committee are attended by invitation, by other senior executives.

The committee meets at least four times a year to review the following amongst other activities:

- The Group's financial statements, and accounting policies,
- The Group's strategy and budget,
- The Group's performance against agreed benchmarks and
- The adequacy of the Group's management information systems.

Board Human Resources and Remuneration Committee

Members

G. G. Nhemachena (Chairman)
H. Nkala
P.M. Chiradza
J. Mushayavanhu

The Committee is chaired by a non-executive director and comprises mainly non-executive directors. This Committee is constituted at Group level and oversees the subsidiary companies. Meetings of the committee are attended by invitation by the Divisional Director of Human Resources. The Committee's primary objective is to ensure that the right calibre of management is attracted and retained. To achieve this it ensures that the directors, senior managers and staff are appropriately rewarded for their contributions to the Group's performance. The Committee is also responsible for the Group's Human Resources Policy issues, terms and conditions of service.

Non-executive directors are remunerated by fees and do not participate in any performance-related incentive schemes.

Board Audit Committee

Members

C. Mtasa (Chairperson)
C. Malunga
G.G. Nhemachena

The Committee is chaired by a non-executive director and comprises of non-executive directors only. The Divisional Director of Internal Audit, the Group Chief Executive, the Group Finance Director and other executives attend the committee by invitation. The Committee is constituted at Group level and oversees subsidiary companies.

The Committee meets regularly to:

- Review compliance with statutory regulations,
- Review the effectiveness of internal controls,
- Review and approve the financial statements and
- Review reports of both internal and external auditors' findings, instituting special investigations where necessary.

Board Risk and Compliance Committee

Members

C. Malunga (Chairman)
G. Chikwava
J. Mushayavanhu
R. Vela

The Committee is constituted at Group level and is responsible for the group risk management function. It is chaired by a non executive director. The Committee's primary objective is to maintain oversight of the Group's risk and regulatory compliance processes and procedures and monitor their effectiveness. The Committee keeps under review, developments and prospective changes in the regulatory environment and monitors significant risk and regulatory issues affecting the Group, noting any material compliance/regulatory breaches and monitoring resolution of any such breaches.

Board Credit Committee

Members

T. Mazoyo (Chairperson)
M. Nzwere
W. Rusere

This committee falls directly under the Bank. It sets the Bank's credit policy and also approves credit applications above management's discretionary limits. The committee is responsible for the overall quality of the Bank's credit portfolio. The committee is chaired by a non-executive director. The Head of Credit and

Corporate Governance (continued)

Risk Management attend the committee meetings by invitation.

Board Loans Review Committee

Members

M. Ndoro (Chairperson)
T. Mutunhu
M. Nzwere

The committee falls directly under the Bank, has terms of reference and comprises non-executive directors only. Meetings of the committee are attended by invitation, by the Managing Director of the Bank, the Head of Credit and the Group Chief Executive.

The committee is responsible for ensuring that the Bank's loan portfolio and lending activities abide by the Bank's credit policy as approved by the Board of Directors and is in compliance with RBZ requirements. It also ensures that problem loans are properly identified, classified and placed on non-accrual in accordance with the Reserve Bank guidelines. The committee also ensures that adequate impairment allowances are made for potential losses and write-offs of losses identified are made in the correct period.

Board Assets and Liabilities Committee

Members

M. Nzwere (Chairman)
T. Mazoyo
J. Mushayavanhu
T. Mutunhu
W. Rusere

The committee falls directly under the Bank, draws its members from the Bank's Board and is chaired by a non executive director. It is responsible for the continuous monitoring of the Bank's assets and liabilities.

Internal Controls

The Directors are responsible for the Group's internal control systems which incorporate procedures that have been designed to provide reasonable assurance that assets are safeguarded, proper accounting records are maintained and financial information is reliably reported.

The key procedures which the Board considers essential to provide effective control include:

- i) Decentralized organisational structure with strong management working within defined limits of responsibility and authority.
- ii) An annual budgeting process with quarterly re-forecasts to reflect changing circumstances, and the identification of key risks and opportunities.
- iii) Detailed monthly management accounts with comparisons against budget through a comprehensive variance analysis.

Nothing has come to the attention of the Directors to indicate that any material breakdown in the functioning of these internal control procedures and systems has occurred during the year under review.

Executive Committee

The operational management of the Group is delegated to the executive committee, which is chaired by the Group Chief Executive. The executive committee is the chief operating decision maker for the Group.

The executive committee comprises:

The Group Chief Executive
Deputy Group Chief Executive and Group Finance Director
Managing Director (FBC Bank Limited)
Managing Director (FBC Reinsurance Limited)
Managing Director (FBC Building Society)
Managing Director (FBC Securities (Private) Limited)
Managing Director (FBC Insurance Company Limited)
Managing Director (Microplan Financial Services (Private) Limited)
Group Company Secretary
Divisional Director Human Resources

It meets monthly or more frequently if necessary and acts on behalf of the Board.

Internal Audit

The internal audit department examines and evaluates the Group's activities with the aim of assisting management with the effective discharge of their responsibilities. It reviews the reliability and integrity of financial and operating information, the systems of internal control, the efficient management of the

Corporate Governance (continued)

Group's resources, the conduct of operations and the means of safeguarding assets. The Divisional Director of Internal Audit reports to the Chairman of the Audit Committee.

Risk Management and Control

Introduction and overview

Managing risk effectively in a diverse and complex institution requires a comprehensive risk management governance structure that promotes the following elements of a sound risk management framework:

- Sound board and senior management oversight,
- Adequate policies, procedures and limits,
- Adequate risk monitoring and management information systems ("MIS"), and
- Adequate internal controls.

FBC Holdings Limited manages risk through a comprehensive framework of risk principles, organisational structure and risk processes that are closely aligned with the activities of the entities in the Group.

The most important risks that the Group is exposed to are listed below:

- Credit risk,
- Market risk,
- Liquidity risk,
- Reputational risk,
- Strategic risk,
- Operational risk and
- Compliance risk.

In addition to the above, there are also specific business risks that arise from the Group's reinsurance and insurance subsidiaries' core activities.

Risk management framework

In line with the Group's risk strategy, size and complexity of its activities, the Board established a risk governance structure and responsibilities that are adequate to meet the requirements of a sound risk management framework.

The Group's Board of Directors has the ultimate responsibility for ensuring that an adequate and effective system of internal controls is established and maintained. The Board delegates its responsibilities to the following Committees through its respective Board

Committees:

- Group Risk and Compliance Committee,
- Group Audit Committee,
- Group Human Resources and Remuneration Committee,
- Group Finance and Strategy Committee,
- Credit Committees for the Bank and Building Society,
- Loans Review Committees for the Bank and Building Society and
- Assets and Liabilities Committees ("ALCO") for the Bank and Building Society.

The specific duties delegated to each committee of the Board and its respective Management Committee are outlined in the terms of reference for the specific committees.

In addition to the above Committees, the following three risk related functions are directly involved in Group-wide risk management:

- Group Risk Management,
- Group Internal Audit and
- Group Compliance.

Group Risk Management Division assumes a central role in oversight and management of all risks that the Group is exposed to in its various activities. The Head of Group Risk Management is responsible for recommending to the Group Risk and Compliance Committee and the Board Risk and Compliance Committee a framework that ensures the effective management and alignment of risk within the Group. The Head of Group Risk Management is responsible for the process of identifying, quantifying, communicating, mitigating and monitoring risk.

Group compliance is an independent compliance management activity that is headed by the Group Compliance Manager who reports administratively to the Group Chief Executive and directly to the Group Risk and Compliance Committee. The Group Compliance Manager has unrestricted access to the Chairman of the Group Risk Compliance Committee.

Group Internal Audit independently audits the adequacy and effectiveness of the Group's risk management, control and governance processes. The Divisional Director of Group Internal Audit who reports administratively to the Group Chief Executive and

Corporate Governance (continued)

functionally to the Chairman of the Audit Committee, provides independent assurance to the Group Audit Committee and has unrestricted access to the Chairman of the Group Board Audit Committee.

The principal risks to which the Group is exposed to and which it continues to manage are detailed in note 34 under Financial Risk Management.

Operational risk is the risk of loss arising from the potential that inadequate information system, technology failures, breaches in internal controls, fraud, unforeseen catastrophes, or other operational problems may result in unexpected losses. Operational risk exists in all products and business activities.

Group's approach to managing operational risk

The Group's approach is that business activities are undertaken in accordance with fundamental control principles of operational risk identification, clear documentation of control procedures, segregation of duties, authorization, close monitoring of risk limits, monitoring of assets use, reconciliation of transactions and compliance.

Operational risk framework and governance

The Board has ultimate responsibility for ensuring effective management of operational risk. This function is implemented through the Board Risk and Compliance Committee at Group level which meets on a quarterly basis to review all major risks including operational risks. This Committee serves as the oversight body in the application of the Group's operational risk management framework, including business continuity management. Subsidiaries have board committees responsible for ensuring robust operational risk management frameworks. Other Group management committees which report to Group Executive Committee include the Group New Product Committee, Group IT Steering Committee and Group Business Continuity Committee.

The management and measurement of operational risk

The Group identifies and assesses operational risk inherent in all material products, activities, processes and systems. It ensures that before new products, activities, processes and systems are introduced or undertaken, the operational risk inherent in them is

subjected to adequate assessment by the appropriate risk committees which include the Group Risk and Compliance Committee and Group New Product Committee.

The Group conducts Operational Risk Assessments in line with the Group's risk strategy. These assessments cover causes and events that have, or might result in losses, as well as monitor overall effectiveness of controls and whether prescribed controls are being followed or need correction. Key Risk Indicators ("KRIs") which are statistical data relating to a business or operations unit are monitored on an ongoing basis. The Group also maintains a record of loss events that occur in the Group in line with Basel II requirements. These are used to measure the Group's exposure to the respective losses. Risk limits are used to measure and monitor the Group's operational risk exposures. These include branch cash holding limits, teller transaction limits, transfer limits and write off limits which are approved by management and the Board. In addition, the Group also uses risk mitigation mechanisms such as insurance programmes to transfer risks. The Group maintains adequate insurance to cover key operational and other risks.

Business continuity management

To ensure that essential functions of the Group are able to continue in the event of adverse circumstances, the Group Business Continuity Plan is reviewed annually and approved by the Board. The Group Management Business Continuity Committee is responsible for ensuring that all units and branches conduct tests half yearly in line with the Group policy.

The Group continues to conduct its business continuity tests in the second and fourth quarters of each year and all the processes are well documented.

Compliance risk

Compliance risk is the current and prospective risk to earnings or capital arising from violations of, or non-conformance with laws, rules, regulations, prescribed practices, internal policies and procedures or ethical standards.

The Compliance function assesses the conformity of codes of conduct, instructions, procedures and organizations in relation to the rules of integrity in

Corporate Governance (continued)

financial services activities. These rules are those which arise from the Group's own integrity policy as well as those which are directly provided by its legal status and other legal and regulatory provisions applicable to the financial services sector.

Management is also accountable to the Board for designing, implementing and monitoring the process of compliance risk management and integrating it with the day to day activities of the Group.

Statement of Compliance

The Group complied with the following statutes inter alia:-

The Banking Act (Chapter 24:20) and Banking Regulations, Statutory Instrument 205 of 2000; Bank Use Promotion & Suppression of Money Laundering (Chapter 24:24); Exchange Control Act (Chapter 22:05); the National Payments Systems Act (Chapter 24:23) and The Companies Act (Chapter - 24:03), the relevant Statutory Instruments ("SI") SI 33/99 and SI 62/96, The Income Tax Act (Chapter 23:06), The Capital Gains Act (Chapter 23:01) and the Value Added Tax Act (Chapter 23:12).

In addition, the Group also complied with the Reserve Bank of Zimbabwe's directives on liquidity management, capital adequacy as well as prudential lending guidelines.

International credit ratings

All banking and insurance subsidiaries have their credit ratings reviewed annually by an international credit rating agency, Global Credit Rating. The micro lending unit's rating is also reviewed annually by Microfinanza rating agency. The ratings are as illustrated below;

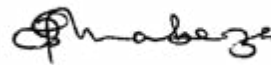
Subsidiary	2017	2016	2015	2014	2013
FBC Bank Limited	BBB+	BBB+	A-	A-	A-
FBC Reinsurance Limited	A-	A-	A-	A-	A-
FBC Building Society	BBB-	BBB-	BBB-	BBB-	BBB-
FBC Insurance Company Limited	A-	A-	A-	BBB	BBB-
Microplan Financial Services Limited	BBB	BBB-	N/A	N/A	N/A



Herbert Nkala
(Chairman)



John Mushayavanhu
(Group Chief Executive)



Tichaona K. Mabeza
(Company Secretary)

Group **Financial Statements**

Independent Auditor's Report

To the Shareholders of FBC HOLDINGS LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated and separate financial statements of FBC Holdings Limited and its subsidiaries ("the Group") set out on pages 65 to 160, which comprise the consolidated and separate statement of financial position as at 31 December 2017, and the consolidated and separate statement of comprehensive income, the consolidated and separate statement of changes in equity and the consolidated and separate statement of cash flows for the year then ended, and the notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group as at 31 December 2017, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act (Chapter 24:03), the relevant Statutory Instruments ("SI") SI33/99 and SI 62/96, the Banking Act (Chapter 24:20), the Building Societies Act (Chapter 24:02), and the Insurance Act (Chapter 24:07).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of financial statements in Zimbabwe. We have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current year. These matters were addressed, as appropriate, in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Revenue recognition and the automated nature of interest calculations

Audit Matter:

International Standards on Auditing "ISA" 240 requires that it be presumed that there are risks of material misstatement due to fraud related to revenue recognition. The standard further requires that these risks be treated as significant.

Income from interest enhancing mechanisms should be amortised over the tenure of the loan facilities and considering the quantum of loans issued and the inherent risk associated with automation of interest calculations, the accounting for these revenue streams has also been identified as a key audit matter.

The revenue recognition policy is disclosed on page 94 (note 2.21) of the financial statements and the revenue balance (made up of interest and non-interest income) is disclosed in Note 21 and 22.

Independent Auditor's Report (continued)

How it was addressed:

Our audit procedures incorporated a combination of tests of the Group's internal control around revenue recognition and the use of information technology specialists in the re-computation of interest and non-interest income. Our procedures included the following:

- We enquired of those charged with governance regarding the policies in place in recognising revenues.
- We obtained an understanding of the internal control environment. This involved obtaining evidence about the design and implementation of the controls around revenue and their operating effectiveness.
- We performed detailed substantive testing of journal entries processed around revenue to ensure these were appropriately authorised, complete and accurate.
- Our Information technology specialists evaluated access controls, controls around system software acquisition, system change and maintenance, application system acquisition, development and maintenance and program change controls.
- Our Data Analytic specialists re-computed a sample of interest and non-interest income accounts and compared to recorded amounts.
- We confirmed that income from interest enhancing mechanisms such as loan arrangement fees and establishment fees were appropriately recognised over the tenure of the facility from which they arose.

Our substantive testing and re-computations performed on interest and related income did not reveal any material misstatements. The disclosures presented in the financial statements with respect to revenue comply with IFRS.

2. Impairment of loans and advances and recoverability of outstanding premiums

Audit Matter:

a) Impairment of loans and advances

The allowance for impairment on loans and advances amounted to US\$15 237 829 for the year, whilst the gross loans and advances were US\$315 984 634. The impairment allowance comprises of specific impairment allowance of US\$ 5 503 066 and a portfolio impairment provision of US\$ 9 734 763.

As described in policy note 2.5.4 and note 3.1, specific impairment allowances are based on periodic evaluations of individual loan exposures and portfolio provisions are in relation to losses which, although not separately and individually identified, are known from experience to exist in any loan portfolio.

Significant judgements are required by management and the Directors in assessing the allowance for impairment on loans and advances. This judgement is further complicated by the challenging economic environment, which puts financial pressure on the Group's customers' ability to honour loan repayment obligations.

The assumptions with the most significant impact on the audit were:

Portfolio impairment allowance

- The portfolio provision is determined by assessing historical loan loss data.
- The Directors expand on the assessment of historical loan loss data by considering current economic data and how it impacts the various business sectors. This is particularly important given the challenging economic conditions that have put pressure on businesses in various sectors of the economy.

Specific impairment allowance

- Specific impairment allowances are determined for non-performing loans (NPLs) and are determined using the expected cash flows. The Directors make judgements of a borrower's ability to meet expected cash flows by considering alternative payment sources provided by a borrower.
- Specific impairment losses are determined on the unsecured portion of the loan. The valuation of security therefore has a significant impact on the quantum of impairment allowances.
- Security is valued using an internal valuer.

Independent Auditor's Report (continued)

The impairment of loans and advances is also subject to the need to comply with the IAS 39 (Financial Instruments-Recognition and Measurement) and Reserve Bank of Zimbabwe (RBZ) guidelines. The disclosures in relation to the impairment allowance are included in note 5.1 and 5.4 of the consolidated financial statements.

How it was addressed:

In evaluating the impairment of loans and advances, we performed various procedures, including the following:

- We reviewed the Group's provision policy for compliance to IFRS and local legislation.
- We obtained an understanding of the Group's processes in identifying non-performing loans (NPLs) and determining appropriate provisions.
- Using the understanding obtained above, we identified controls with a significant impact on the identification of NPLs and determination of appropriate impairment allowances. We verified that these significant controls were operating effectively for the financial period.
- Recalculated the impairment provision raised and comparison with amount recorded by management.
- Performed a retrospective analysis of impairment estimates from previous years against realised impairments.
- Obtained audit evidence of the Directors' judgements with particular focus on the consistency of the methodology including challenging these assumptions and processes based on our industry knowledge and experience.
- Assessed key changes in the assumptions against industry standards and historical data.
- We tested the valuation of security pledged by customers for loan balances by comparing security values to recent market transactions or recent valuations of similar properties in similar locations.

Portfolio impairment

- We reviewed the Group's analysis of historical loan loss data. Information contained in this analysis was agreed to audited financial statements and the general ledger for the Group.
- Using our understanding of the current economic conditions obtained through review of local and economic data and its impact on business, we analysed management's modification of the portfolio allowances.
- Our analysis of the portfolio impairment allowances was augmented by our review of borrowers' financial performance in the period under review.

Specific impairment

In order for us to obtain evidence of the accuracy of the grading of loans as performing or non-performing, we reviewed the loan performance of a sample of borrowers paying particular attention to the following:

- Ageing of amount due and payment history.
- Financial performance of the borrower. We reviewed financial information to identify evidence of financial stress that may impact recoverability of amounts due.
- Adherence to loan covenants such as deposit turnover ratios
- Pertinent non-financial information of the borrower. Information was obtained from the Group's management and publicly available information in the media.

For identified NPLs, we inspected documentation to support the recovery of amounts from alternative sources and reviewed the discounting of these cash flows using management's average interest rate and expected payback periods.

- We assessed this average interest rate used by reperforming the computations using the original effective interest rates of the loans and noted that the Directors' estimate was within close proximity of our point estimate.
- We assessed the reasonableness of the payback periods used by comparing with information received from the client's legal counsel and based on prior year history on recoveries of security.

Independent Auditor's Report (continued)

Regulatory provisions

- In evaluating the minimum regulatory impairment provisions, we selected loans advances and tested the accuracy of the classification of loans into various credit quality grades as prescribed by the Reserve Bank of Zimbabwe regulatory provisioning guidelines.
- We performed independent recalculations of the impairment provisions for these respective credit quality grades and compared them with the Director's estimates.
- We reviewed the consistency of rates used to determine the regulatory impairment provision to the RBZ Supervisory Rating System (SRS).

The individual loans and advances for portfolio impairment were classified in line with the RBZ Supervisory Rating System (SRS) framework.

Our overall conclusion was that the levels of impairment determined by the Directors were adequate.

b) Recoverability of outstanding premiums

The gross carrying amount of insurance receivables amounted to US\$10 053 060 whilst the impairment allowance was US\$413 400. Due to the liquidity constraints affecting the economy, recoverability of outstanding installments of premiums from policyholders continues to be an area of concern.

Because of the significance of the impairment balance, and the fact that it is subject to significant estimation and subjective judgements, we have considered recoverability of outstanding premiums to be a key audit matter. The disclosures in relation to the amounts outstanding are included in note 5.2 of the consolidated financial statements.

How it was addressed:

In assessing the recoverability of outstanding premiums, we performed the following procedures;

- Circularised brokers to confirm outstanding policyholder balances;
- Analysed the receivables ageing analysis for policyholders with significant outstanding premiums at period end;
- Tested the ageing analysis for validity, completeness and accuracy;
- Evaluated and tested key controls over the processes used to determine the allowance for doubtful premiums receivable;
- Evaluated the directors' assessment of recoverability of outstanding premiums;

We concluded that the recognized outstanding premiums are expected to be recoverable and that the provision for doubtful policyholder receivables was reasonable.

3. Valuation of Incurred But Not Reported (IBNR) claims provision

Audit Matter

The determination of the IBNR claims provision is an area of key judgement due to the level of subjectivity inherent in the estimation of the occurrence and severity of claims that would have been incurred at the reporting date but have not yet been reported to the Group as at that date.

Directors engaged an actuarial expert to assess the valuation of the IBNR that they had provided for. Disclosures in relation to the claims provision are included in note 3.3 and note 16 of the consolidated financial statements.

Independent Auditor's Report (continued)

How it was addressed:

- We obtained an understanding of the methods and assumptions applied in the provision determination, as well as the source of the information used in the provision determination.
- We tested the design and implementation of controls around the determination of the IBNR provision.
- In order to assess the quality of historical reserving exercises, we performed a retrospective review of the adequacy of the prior periods' estimates by comparing it with the claims experience related to the provision that was recorded in the prior years.

We performed procedures to assess the adequacy of the current year IBNR provision, that included the following:

- Analysis of the 2017 claims incurred that were reported up to the date of our audit report against the current year (2017) IBNR provision.
- Verification of the mathematical accuracy of the provision determination prepared by the Group.
- We also engaged our own internal actuarial specialists to interrogate the methodology and assumptions of the Group's actuary used in the assessment of the IBNR. This was done to support the conclusion over whether the amount calculated by the Group lies within an acceptable range.

We concluded that the IBNR provision was appropriately valued.

Other Information

The Directors are responsible for the other information. The other information comprises the Group Structure, FBC Footprint, Our Pillars of Strength, Our Promise to Our Stakeholders, General Information, Report Profile, Financial Highlights, Group Chairman's Statement, Group Chief Executive's Report, Sustainability Report, Director's Report, Company Secretary's Certification, Board of Directors, Corporate Governance and Shareholders' Information which we obtained prior to the date of the audit report and the Notice of AGM and Proxy Form which we obtained after the date of the audit report. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misrepresented.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The Directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards (IFRSs), the Companies Act (Chapter 24:03), the relevant statutory instruments (SI 33/99 and SI 62/96), the Banking Act (Chapter 24:20), the Building Societies Act (Chapter 24:02), the Insurance Act (Chapter 24:07) and for such internal control as the Directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditor's Report (continued)

In preparing the consolidated and separate financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Independent Auditor's Report (continued)

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the financial statements have been prepared in accordance with the disclosure requirements of the Companies Act (24:03), the relevant Statutory Instruments ("SI") SI33/99 and SI 62/96, the Banking Act (Chapter 24:20), the Building Societies Act (Chapter 24:02), and the Insurance Act (Chapter 24:07).

The engagement partner on the audit resulting in this independent auditor's report is Tumai Mafunga.

Deloitte & Touche

Deloitte & Touche Per: Tumai Mafunga Partner

Registered Auditor

PAAB Number: 0442

28 March 2018

Consolidated Statement of Financial Position

As at 31 December 2017

	Note	31-Dec-17 US\$	31-Dec-16 US\$
ASSETS			
Balances with banks and cash	4	181 002 565	184 244 019
Financial assets held to maturity	7.2	112 878 823	75 078 481
Loans and advances to customers	5.1	300 746 805	276 534 813
Trade and other receivables including insurance receivables	5.2	9 639 660	9 120 237
Bonds and debentures	6	27 633 715	9 139 955
Financial assets at fair value through profit or loss	7.1	2 365 325	1 102 173
Available for sale financial assets	8	835 710	862 886
Inventory	9	6 523 937	5 171 336
Prepayments and other assets	10	23 684 304	10 054 693
Current income tax asset		655 613	-
Deferred income tax assets	18.3	7 586 301	8 145 597
Investment property	11	8 184 400	3 710 457
Intangible assets	12	1 851 136	1 890 026
Property and equipment	13	28 849 191	25 090 044
Total assets		712 437 485	610 144 717
EQUITY AND LIABILITIES			
Liabilities			
Deposits from customers	14.1	420 673 937	255 266 672
Deposits from other banks	14.2	88 729 907	114 850 822
Borrowings	15	14 581 009	85 383 935
Insurance liabilities	16	7 680 864	9 470 934
Trade and other payables	17	35 311 178	19 809 097
Current income tax liability		70 599	878 275
Deferred income tax liability	18.3	834 055	772 386
Total liabilities		567 881 549	486 432 121
Equity			
Capital and reserves attributable to equity holders of the parent entity			
Share capital and share premium	19.3	14 089 892	14 089 892
Other reserves	20	38 807 167	37 840 340
Retained profits		91 326 329	71 488 214
		144 223 388	123 418 446
Non controlling interest in equity		332 548	294 150
Total equity		144 555 936	123 712 596
Total equity and liabilities		712 437 485	610 144 717

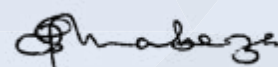
The consolidated financial statements on pages 65 to 151 were authorised for issue by the board of directors on 28 March 2018 and were signed on its behalf.



Herbert Nkala
(Chairman)



John Mushayavanhu
(Group Chief Executive)



Tichaona K. Mabeza
(Company Secretary)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

	Note	31-Dec-17 US\$	31-Dec-16 US\$
Interest income	21	65 715 846	67 000 371
Interest expense	21.1	(19 647 155)	(22 202 373)
Net interest income		46 068 691	44 797 998
Fee and commission income	22	31 928 468	26 092 451
Fee and commission expense	22.1	(322 495)	(174 718)
Net fee and commission income		31 605 973	25 917 733
Revenue	23	5 387 808	7 001 895
Cost of sales	23.1	(4 212 915)	(6 039 694)
Net income from property sales		1 174 893	962 201
Insurance premium revenue	24	30 988 208	32 695 860
Premium ceded to reinsurers and retrocessionaires		(12 288 100)	(13 910 791)
Net earned insurance premium		18 700 108	18 785 069
Net trading income		1 367 267	517 641
Net gain from financial assets at fair value through profit or loss	25	636 005	231 188
Other operating income	26	5 740 990	1 814 251
		7 744 262	2 563 080
Total net income		105 293 927	93 026 081
Impairment allowance on financial assets	5.4	(6 883 565)	(7 874 767)
Net insurance commission expense	27	(3 783 042)	(4 331 491)
Insurance claims and loss adjustment expenses	28	(8 279 135)	(7 672 766)
Administrative expenses	29	(57 044 631)	(47 471 352)
Profit before income tax		29 303 554	25 675 705
Income tax expense	30.1	(6 055 324)	(3 737 979)
Profit for the year		23 248 230	21 937 726

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017 (Continued)

	Note	31-Dec-17 US\$	31-Dec-16 US\$
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Transfer from regulatory reserves		-	-
Gains on property revaluation		1 311 411	-
Tax		(313 684)	-
		997 727	-
Items that may be subsequently reclassified to profit or loss			
Loss on available for sale reserve		(27 177)	(63 526)
Tax		272	635
		(26 905)	(62 891)
Total other comprehensive income, net income tax		970 822	(62 891)
Total comprehensive income for the year		24 219 052	21 874 835
Profit attributable to:			
Equity holders of the parent		23 197 279	21 885 495
Non - controlling interest		50 951	52 231
Profit for the year		23 248 230	21 937 726
Total comprehensive income attributable to:			
Equity holders of the parent		24 164 106	21 822 604
Non - controlling interest		54 946	52 231
Total comprehensive income for the year		24 219 052	21 874 835
Earnings per share (US cents)			
Basic earnings per share	33.1	3.62	3.40
		3.62	3.40
Diluted earnings per share	33.2	3.62	3.40
		3.62	3.40

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Share capital US\$	Share premium US\$	Retained profits US\$	Treasury shares US\$	Non distributable reserve US\$	Revaluation reserve US\$	Available for sale reserve US\$	Changes in ownership US\$	Total US\$	Non controlling interest US\$	Total equity US\$
Balance as at 1 January 2016	6 719	14 083 173	52 100 051	(1 562 321)	36 222 261	2 170 001	(60 708)	1 670 671	104 629 847	259 183	104 889 030
Profit for the year	-	-	21 885 495	-	-	-	-	-	21 885 495	52 231	21 937 726
Other comprehensive income	-	-	-	-	-	-	(62 891)	-	(62 891)	-	(62 891)
Available for sale reserve	-	-	-	-	-	-	(62 891)	-	(62 891)	-	(62 891)
Total other comprehensive income	-	-	-	-	-	-	(62 891)	-	(62 891)	-	(62 891)
Total comprehensive income	-	-	21 885 495	-	-	-	(62 891)	-	21 822 604	52 231	21 874 835
Transaction with owners:	-	-	-	-	-	-	-	-	-	-	-
Dividend declared and paid	-	-	(2 497 332)	-	-	-	-	-	(2 497 332)	(17 264)	(2 514 596)
Increase in ownership interest	-	-	-	-	402 350	-	-	-	402 350	-	402 350
Treasury share purchase	-	-	-	(939 023)	-	-	-	-	(939 023)	-	(939 023)
Total transactions with owners recognised directly in equity	-	-	(2 497 332)	(939 023)	402 350	-	-	-	(3 034 005)	(17 264)	(3 051 269)
Balance as at 31 December 2016	6 719	14 083 173	71 488 214	(2 501 344)	36 624 611	2 170 001	(123 599)	1 670 671	123 418 446	294 150	123 712 596
Balance as at 1 January 2017	6 719	14 083 173	71 488 214	(2 501 344)	36 624 611	2 170 001	(123 599)	1 670 671	123 418 446	294 150	123 712 596
Profit for the year	-	-	23 197 279	-	-	-	-	-	23 197 279	50 951	23 248 230
Other comprehensive income	-	-	-	-	-	993 732	(26 905)	-	993 732	3 995	997 727
Gain on revaluation of property and equipment, net of tax	-	-	-	-	-	993 732	(26 905)	-	966 827	-	(26 905)
Available for sale reserve	-	-	-	-	-	993 732	(26 905)	-	966 827	3 995	970 822
Total other comprehensive income	-	-	-	-	-	993 732	(26 905)	-	966 827	3 995	970 822
Total comprehensive income	-	-	23 197 279	-	-	993 732	(26 905)	-	24 164 106	54 946	24 219 052
Transaction with owners:	-	-	-	-	-	-	-	-	-	-	-
Dividend declared and paid	-	-	(3 359 164)	-	-	-	-	-	(3 359 164)	(16 548)	(3 375 712)
Total transactions with owners recognised directly in equity	-	-	(3 359 164)	-	-	-	-	-	(3 359 164)	(16 548)	(3 375 712)
Balance as at 31 December 2017	6 719	14 083 173	91 326 329	(2 501 344)	36 624 611	3 163 733	(150 504)	1 670 671	144 223 388	332 548	144 555 936

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Note	31-Dec-17 US\$	31-Dec-16 US\$
Cash flow from operating activities			
Profit before income tax		29 303 554	25 675 705
Adjustments for non-cash items:			
Depreciation	13	2 339 547	2 079 725
Amortisation charge	12	626 899	516 869
Impairment loss on loans and advances including on insurance receivables	5.4	6 883 565	7 874 767
Impairment reversal on property and equipment	13	(1 629)	-
Impairment loss on intangible assets	12	27 890	1 337
Fair value adjustment on investment property	11	(2 129 962)	5 320
Fair value adjustment on financial assets at fair value through profit or loss	25	(636 005)	(231 188)
Profit on disposal of property and equipment	26	(14 326)	(34 562)
Net cash generated before changes in operating assets and liabilities		36 399 533	35 887 973
Increase in financial instrument held to maturity		(37 800 342)	(25 454 448)
Increase in loans and advances		(31 095 557)	(1 437 887)
Increase in trade and other receivables		(519 423)	(1 020 708)
Increase in bonds and debentures		(18 493 760)	(437 635)
(Increase)/decrease in financial assets at fair value through profit or loss		(627 147)	179 052
Increase in available for sale financial assets		-	(145 859)
(Increase)/decrease in inventory		(1 352 601)	941 318
Increase in prepayments and other assets		(13 629 611)	(4 388 125)
Increase in investment property		(2 343 981)	(1 243 637)
Increase in deposits from customers		165 407 265	45 836 574
(Decrease)/increase in deposits from other banks		(26 120 915)	36 864 692
(Decrease)/increase in insurance liabilities		(1 790 070)	66 506
Increase in trade and other payables		15 502 081	5 875 248
		83 535 472	91 523 064
Income tax paid		(7 211 061)	(5 669 049)
Net cash generated from operating activities		76 324 411	85 854 015
Cash flows from investing activities			
Purchases of intangible assets	12	(615 899)	(1 510 286)
Purchase of property and equipment	13	(4 851 082)	(2 631 552)
Proceeds from sale of property and equipment		79 754	143 203
Net cash used in investing activities		(5 387 227)	(3 998 635)
Cash flows from financing activities			
Proceeds from borrowings		2 800 000	12 989 191
Repayment of borrowings		(73 602 926)	(908 996)
Dividend paid to company's shareholders		(3 359 164)	(2 497 332)
Dividends paid to non-controlling interests		(16 548)	(17 264)
Purchase of treasury shares		-	(939 023)
Net cash (used)/generated from financing activities		(74 178 638)	8 626 576
Net (decrease)/increase in cash and cash equivalents		(3 241 454)	90 481 956
Cash and cash equivalents at beginning of the year		184 244 019	93 762 063
Cash and cash equivalents at the end of year	4.2	181 002 565	184 244 019

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

1 GENERAL INFORMATION

FBC Holdings Limited (“the Company”) and its subsidiaries (together “the Group”) provide a wide range of commercial banking, mortgage financing, micro lending, reinsurance, short-term insurance, and stockbroking services.

The Company is a limited liability company, which is listed on the Zimbabwe Stock Exchange. The Company and its subsidiaries are incorporated and domiciled in Zimbabwe.

These consolidated financial statements were approved for issue by the Board of Directors on 28 March 2018.

2 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The Group’s consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), and International Financial Reporting Standards Interpretations Committee, (“IFRIC”) interpretations, Banking Act (Chapter 24:20), Insurance Act (Chapter 24:07) and in the manner required by the Zimbabwe Companies Act, (Chapter 24:03) and the relevant Statutory Instruments (“SI”) SI 62/96 and SI 33/99. The consolidated financial statements have been prepared from statutory records that are maintained under the historical cost convention as modified by the revaluation of financial assets at fair value through profit or loss, available for sale financial assets, investment property and property and equipment.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

2.1.1 Changes in accounting policy and disclosures

Application of new and revised International Financial Reporting Standards (IFRSs)

2.1.1.2. New and revised IFRSs applied with no material effect on the consolidated financial statements

In the current year, the Group has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period ending 31 December 2017.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

2.1.1.2. New and revised IFRSs applied with no material effect on the consolidated financial statements (continued)

New standard	Effective date	Major requirements
Amendments to IFRS 7 Statement of Cash Flows: Disclosure Initiative	1-Jan-17	<p>The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments apply prospectively. Entities are not required to present comparative information for earlier periods when they first apply the amendments.</p> <p>The Group's liabilities arising from financing activities consist of borrowings and certain other financial liabilities. A reconciliation between the opening and closing balances of these items is provided in the notes.</p>
Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses	1-Jan-17	<p>The amendments clarify that unrealised losses on debt instruments measured at fair value in the financial statements but at cost for tax purposes can give rise to deductible temporary differences. The amendments also clarify that the carrying amount of an asset does not limit the estimation of probable future taxable profits, and that when comparing deductible temporary differences with future taxable profits, the future taxable profits excludes tax deductions resulting from the reversal of those deductible temporary differences.</p> <p>The amendments apply retrospectively, with certain transition relief. However, their application has no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.</p>
Annual Improvements to IFRSs 2014-2016 Cycle	1-Jan-17	<p>The Group has applied the amendments to IFRS 12 included in the Annual Improvements to IFRSs 2014-2016 Cycle for the first time in the current year. The other amendments included in this package are not yet mandatorily effective and they have not been early adopted by the Group.</p> <p>IFRS 12 states that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interests. The application of these amendments has had no effect on the Group's consolidated financial statements as none of the Group's interests in these entities are classified, or included in a disposal group that is classified, as held for sale.</p>

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

2.1.1.3. New and revised IFRSs in issue but not yet effective

New standard	Effective date	Major requirements
IFRS 16 Leases	1-Jan-18	<p>IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets</p> <p>In contrast, for finance leases where the Group is a lessee, as the Group has already recognised an asset and a related finance lease liability for the lease arrangement, and in cases where the Group is a lessor (for both operating and finance leases), the directors of the Company do not anticipate that the application of IFRS 16 will have a significant impact on the amounts recognised in the Group's consolidated financial statements.</p>
IFRS 9 Financial Instruments	1-Jan-18	<p>In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. It replaces IAS 39 Financial Instruments:</p> <p>Recognition and Measurement</p> <p>In October 2017, the IASB issued Prepayment Features with Negative Compensation (Amendments to IFRS 9). The amendments are effective for annual periods beginning on or after 1 January 2019, with early adoption permitted. The Group will apply IFRS 9 as issued in July 2014 initially on 1 January 2018 and will early adopt the amendments to IFRS 9 on the same date. The above assessment is preliminary because not all transition work has been finalised. The actual impact of adopting IFRS 9 on 1 January 2018 may change because:</p> <ul style="list-style-type: none"> – IFRS 9 will require the Group to revise its accounting processes and internal controls and these changes are not yet complete; – although parallel runs were carried out in the second half of 2017, the new systems and associated controls in place have not been operational for a more extended period; – the Group has not finalised the testing and assessment of controls over its new IT systems and changes to its governance framework; – the Group is refining and finalising its models for ECL calculations; and the new accounting policies, assumptions, judgements and estimation techniques employed are subject to change until the Group finalises its first financial statements that include the date of initial application.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

2.1.1.3. New and revised IFRSs in issue but not yet effective (continued)

New standard	Effective date	Major requirements
IFRS 9 Financial Instruments	1-Jan-18	<p>Classification – Financial assets</p> <p>IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 includes three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. It eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.</p> <p>A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:</p> <ul style="list-style-type: none"> – it is held within a business model whose objective is to hold assets to collect contractual cash flows; and – its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding. <p>All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL.</p> <p>Business model assessment</p> <p>The Group will make an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.</p> <p>The information that will be considered includes:</p> <ul style="list-style-type: none"> – the stated policies and objectives for the portfolio and the operation of those policies in practice, including whether management’s strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of assets; – how the performance of the portfolio is evaluated and reported to the Group’s management; – the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; – how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and – the frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group’s stated objective for managing the financial assets is achieved and how cash flows are realised. <p>Financial assets that are held for trading and those that are managed and whose performance is evaluated on a fair value basis will be measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.</p>

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

2.1.1.3. New and revised IFRSs in issue but not yet effective (continued)

New standard	Effective date	Major requirements
IFRS 9 Financial Instruments		<p>Assessment whether contractual cash flows are solely payments of principal and interest</p> <p>For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.</p> <p>In assessing whether the contractual cash flows are solely payments of principal and interest, the Group will consider the contractual terms of the instrument. This will include assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.</p> <p>Impairment – Financial assets, loan commitments and financial guarantee contracts</p> <p>IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' model. This will require considerable judgement over how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.</p> <p>The new impairment model applies to the following financial instruments that are not measured at FVTPL:</p> <ul style="list-style-type: none"> – financial assets that are debt instruments; – lease receivables; and – loan commitments and financial guarantee contracts issued (previously, impairment was measured under IAS 37 Provisions, Contingent Liabilities and Contingent Assets). <p>Under IFRS 9, no impairment loss is recognised on equity investments.</p> <p>IFRS 9 requires a loss allowance to be recognised at an amount equal to either 12-month ECLs or lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument, whereas 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date.</p> <p>The Group will recognise loss allowances at an amount equal to lifetime ECLs</p> <p>The impairment requirements of IFRS 9 are complex and require management judgements, estimates and assumptions.</p> <p>Impact assessment</p> <p>The standard will affect the classification and measurement of financial assets held as at 31 December 2017 as follows.</p>

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

2.1.1.3. New and revised IFRSs in issue but not yet effective (continued)

New standard	Effective date	Major requirements																																																														
IFRS 9 Financial Instruments	1-Jan-18	<table border="1"> <thead> <tr> <th></th> <th>IAS 39 Measurement Category</th> <th>IFRS 9 Measurement Category</th> </tr> </thead> <tbody> <tr> <td colspan="3">Financial Assets</td> </tr> <tr> <td>Financial assets held to maturity</td> <td>Amortised cost</td> <td>Amortised cost</td> </tr> <tr> <td>Financial assets at fair value through P/L</td> <td>FVTPL</td> <td>FVTPL</td> </tr> <tr> <td>Loans and advances to customers</td> <td>Amortised cost</td> <td>Amortised cost</td> </tr> <tr> <td>Bonds and debentures</td> <td>Amortised cost</td> <td>Amortised cost</td> </tr> <tr> <td>Trade and other receivables including insurance receivables</td> <td>Amortised cost</td> <td>Amortised cost</td> </tr> <tr> <td>Available for sale financial assets</td> <td>FVOCI</td> <td>FVOCI</td> </tr> <tr> <td colspan="3">Financial Liabilities</td> </tr> <tr> <td>Deposits from customers</td> <td>Amortised cost</td> <td>Amortised cost</td> </tr> <tr> <td>Deposits from other financial institutions</td> <td>Amortised cost</td> <td>Amortised cost</td> </tr> <tr> <td>Lines of credit</td> <td>Amortised cost</td> <td>Amortised cost</td> </tr> <tr> <td>Insurance liabilities</td> <td>Amortised cost</td> <td>Amortised cost</td> </tr> <tr> <td>Trade and other payables</td> <td>Amortised cost</td> <td>Amortised cost</td> </tr> </tbody> </table> <p>The most significant impact on the Group's financial statements from the implementation of IFRS 9 is expected to result from the new impairment requirements. Impairment losses will increase and become more volatile for financial instruments in the scope of the IFRS 9 impairment model.</p> <p>The Group has estimated that, on the adoption of IFRS 9 at 31 December 2017, the impact of the increase in loss allowances (before tax) will be approximately US\$ 1 554 404. Loss allowances on unsecured products with longer expected lives such as overdrafts and credit cards will be most affected by the new impairment requirements.</p> <table border="1"> <thead> <tr> <th>Impact Assessment on Profit</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>Profit after Tax before IFRS 9 impact</td> <td>23 248 230</td> </tr> <tr> <td>Increase in impairment assessed</td> <td>(1 554 404)</td> </tr> <tr> <td>Additional movement in deferred tax</td> <td>400 259</td> </tr> <tr> <td>Profit After Tax after adoption of IFRS 9</td> <td>22 094 085</td> </tr> </tbody> </table> <table border="1"> <thead> <tr> <th>Impact on total Assets</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>Total Assets as at 31 December 2017</td> <td>712 437 485</td> </tr> <tr> <td>Increase in impairment</td> <td>(1 554 404)</td> </tr> <tr> <td>Increase in deferred tax assets</td> <td>400 259</td> </tr> <tr> <td>Balance after the adoption of IFRS 9</td> <td>711 283 340</td> </tr> </tbody> </table> <p>Transition Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, however. The Group will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes.</p> <p>Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 will generally be recognised in retained earnings and reserves as at 31 December 2017.</p>		IAS 39 Measurement Category	IFRS 9 Measurement Category	Financial Assets			Financial assets held to maturity	Amortised cost	Amortised cost	Financial assets at fair value through P/L	FVTPL	FVTPL	Loans and advances to customers	Amortised cost	Amortised cost	Bonds and debentures	Amortised cost	Amortised cost	Trade and other receivables including insurance receivables	Amortised cost	Amortised cost	Available for sale financial assets	FVOCI	FVOCI	Financial Liabilities			Deposits from customers	Amortised cost	Amortised cost	Deposits from other financial institutions	Amortised cost	Amortised cost	Lines of credit	Amortised cost	Amortised cost	Insurance liabilities	Amortised cost	Amortised cost	Trade and other payables	Amortised cost	Amortised cost	Impact Assessment on Profit	Amount	Profit after Tax before IFRS 9 impact	23 248 230	Increase in impairment assessed	(1 554 404)	Additional movement in deferred tax	400 259	Profit After Tax after adoption of IFRS 9	22 094 085	Impact on total Assets	Amount	Total Assets as at 31 December 2017	712 437 485	Increase in impairment	(1 554 404)	Increase in deferred tax assets	400 259	Balance after the adoption of IFRS 9	711 283 340
	IAS 39 Measurement Category	IFRS 9 Measurement Category																																																														
Financial Assets																																																																
Financial assets held to maturity	Amortised cost	Amortised cost																																																														
Financial assets at fair value through P/L	FVTPL	FVTPL																																																														
Loans and advances to customers	Amortised cost	Amortised cost																																																														
Bonds and debentures	Amortised cost	Amortised cost																																																														
Trade and other receivables including insurance receivables	Amortised cost	Amortised cost																																																														
Available for sale financial assets	FVOCI	FVOCI																																																														
Financial Liabilities																																																																
Deposits from customers	Amortised cost	Amortised cost																																																														
Deposits from other financial institutions	Amortised cost	Amortised cost																																																														
Lines of credit	Amortised cost	Amortised cost																																																														
Insurance liabilities	Amortised cost	Amortised cost																																																														
Trade and other payables	Amortised cost	Amortised cost																																																														
Impact Assessment on Profit	Amount																																																															
Profit after Tax before IFRS 9 impact	23 248 230																																																															
Increase in impairment assessed	(1 554 404)																																																															
Additional movement in deferred tax	400 259																																																															
Profit After Tax after adoption of IFRS 9	22 094 085																																																															
Impact on total Assets	Amount																																																															
Total Assets as at 31 December 2017	712 437 485																																																															
Increase in impairment	(1 554 404)																																																															
Increase in deferred tax assets	400 259																																																															
Balance after the adoption of IFRS 9	711 283 340																																																															

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

2.1.1.3. New and revised IFRSs in issue but not yet effective (continued)

New standard	Effective date	Major requirements
IFRS 9 Financial Instruments	1-Jan-18	<p>The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application.</p> <ul style="list-style-type: none"> - The determination of the business model within which a financial asset is held. - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL. - The designation of certain investments in equity instruments not held for trading as at FVOCI. - For a financial liability designated as at FVTPL, the determination of whether presenting the effects of changes in the financial liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. <p>The above assessment is preliminary because not all transition work has been finalised. The actual impact of adopting IFRS 9 on 31 December 2017 may change because:</p> <ul style="list-style-type: none"> - IFRS 9 will require the Group to revise its accounting processes and internal controls and these changes are not yet complete; - although parallel runs were carried out in the second half of 2017, the new systems and associated controls in place have not been operational for a more extended period; - the Group has not finalised the testing and assessment of controls over its new IT systems and changes to its governance framework; - the Group is refining and finalising its models for ECL calculations; and the new accounting policies, assumptions, judgements and estimation techniques employed are subject to change until the Group finalises its first financial statements that include the date of initial application
IFRS 15 Revenue from Contracts with Customers	1-Jan-18	<p>IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.</p> <p>The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:</p> <ul style="list-style-type: none"> • Step 1: Identify the contract(s) with a customer • Step 2: Identify the performance obligations in the contract • Step 3: Determine the transaction price • Step 4: Allocate the transaction price to the performance obligations in the contract • Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation <p>Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.</p> <p>In April 2016, the IASB issued Clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance</p>

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

2.1.1.3. New and revised IFRSs in issue but not yet effective (continued)

New standard	Effective date	Major requirements
IFRIC 22 Foreign Currency Transactions and Advance Consideration	1-Jan-18	<p>IFRIC 22 addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability (e.g. a non-refundable deposit or deferred revenue).</p> <p>Entities can apply the Interpretation either retrospectively or prospectively. Specific transition provisions apply to prospective application.</p> <p>The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Group's consolidated financial statements. This is because the Group already accounts for transactions involving the payment or receipt of advance consideration in a foreign currency in a way that is consistent with the amendments.</p>
IFRS 2: Classification and Measurement of Share-based Payment Transactions - Amendments to IFRS 2	1-Jan-18	<p>The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.</p> <p>On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The Group has assessed the potential effect of the amendments on its consolidated financial statements and concluded that the standard has no material impact on the reported financial statements.</p>
Transfers of Investment Property - Amendments to IAS 40	1-Jan-18	<p>The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in managements intentions for the use of a property does not provide evidence of a change in use.</p> <p>Entities should apply the amendments prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application in accordance with IAS 8 is only permitted if it is possible without the use of hindsight. Early application of the amendments is permitted and must be disclosed.</p> <p>The Group will apply amendments when they become effective. However, since Group's current practice is in line with the clarifications issued, the Group does not expect any effect on its consolidated financial statements.</p>

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

2.1.2 Going concern

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current financing. After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

2.2 Basis of consolidation

(a) Subsidiaries

The consolidated financial statements combine the financial statements of FBC Holdings Limited ("the Company") and all its subsidiaries. Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such remeasurement are recognised through profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Unrealised profits or losses are also eliminated.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

2.2 Basis of consolidation (continued)

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions –that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity within “changes in ownership reserve”. Gains or losses on disposals to non-controlling interests are also recorded in equity within “changes in ownership reserve”.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(d) Separate financial statements of the Company

The Company recognises investments in subsidiaries at cost, less accumulated impairment allowances in the separate financial statements of the Company.

2.3 Segment reporting

An operating segment is a distinguishable component of the Group that is engaged in business activities from which it earns revenues and incurs expenses (including revenues and expenses relating to transactions with other components of the entity); whose operating results are reviewed regularly by the entity’s chief operating decision maker (“CODM”) to make decisions about resources to be allocated to the segment and to assess its performance; and for which discrete financial information is available.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group Executive Committee that makes strategic decisions.

The Group’s operating segments have been aggregated based on the nature of the products and services on offer and the nature of the regulatory environment. The CODM is responsible for allocating resources and assessing performance of the operating segments. In accordance with IFRS 8, Operating segments, the Group has the following business segments: commercial banking, microlending, mortgage financing, reinsurance, short-term insurance and stockbroking.

2.3.1 Commercial banking

The principal activities of this segment consist of dealing in the money and foreign exchange markets, retail, corporate and international banking and corporate finance.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

2.3.2 Microlending

The principal activities of this segment consist of short-term lending to the informal market.

2.3.3 Mortgage financing

The principal activities of this segment consist of housing development, mortgage lending, savings deposit accounts and other money market investment products.

2.3.4 Reinsurance

The principal activities of this segment consist of underwriting the following classes of reinsurance business; fire, engineering, motor, miscellaneous accident classes and marine.

2.3.5 Short - term insurance

The principal activities of this segment consist of underwriting the following classes of insurance business; fire, engineering, motor, miscellaneous accident classes and marine.

2.3.6 Stockbroking

The principal activities of this segment consist of dealing in the equities market and offering advisory services.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in the United States of America dollar ("US\$"), which is the Group's presentation currency. All the Group's subsidiaries operate in Zimbabwe and have the United States of America dollar ('US\$') as their functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuations where items are re-measured. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains or losses are presented in the statement of comprehensive income within 'net trading income'.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

2.5 Financial assets and liabilities

2.5.1 Categories of financial instruments

Category (as defined by IAS 39) Financial instruments: recognition and measurement		Class (as determined by the Group)		Subclasses	
Financial assets	Financial assets at fair value through profit or loss	Financial assets held for trading		Equity securities (listed on the Zimbabwe Stock Exchange)	
		Financial assets held to maturity		Treasury bills	
	Loans and receivables	Available for sale		Equity securities (listed on the Zimbabwe Stock Exchange)	
		Loans and advances to other banks		Placements	
		Trade receivables		Large corporate customers	
				Retail customers	
		Loans and advances to customers	Loans to individuals	Mortgages	
				Term loans	
				Overdrafts	
			Loans to corporate entities	Large corporate customers	Bankers acceptances, Mortgages, Term loans, Overdrafts
	SMEs				
	Other				
Financial liabilities	Financial liabilities at amortised cost	Deposits from other banks			
		Lines of credit			
		Deposits from customers	Large corporate customers	Call deposits	
			SMEs	Time deposits	
			Individuals	Current accounts	
		Borrowings, trade & other payables including insurance liabilities			
Contingent liabilities and commitments	Loan commitments				
	Guarantees and letters of credit				

2.5.2 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains or losses arising from a group of similar transactions such as in the Group's trading activity.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

2.5.3 Financial assets

Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, available for sale, held to maturity and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges.

(b) Financial assets held to maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

(d) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and the Group does not intend to sell immediately or in the near term. The Group's loans and receivables comprise 'balances with banks and cash', 'loans and advances to customers', 'debentures', and 'trade and other receivables including insurance receivables' on the statement of financial position.

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date, that is, the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed within administrative expenses in the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income in the period in which they arise. Dividend income from financial assets at fair value through profit or loss and available-for-sale financial assets is recognised in the statement of comprehensive income when the Group's right to receive payments is established.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

2.5.3 Financial assets (continued)

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income. When these financial assets are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the statement of comprehensive income as 'gains or losses from investment securities'.

The fair values of quoted investments are based on current bid prices. If the market for a financial (and for unlisted securities) is not available, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Loans and receivables are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method. Loans and receivables are stated net of impairment allowances.

The Group classifies the financial instruments into classes that reflect the nature of information and takes into account characteristics of those financial instruments. The classification made can be seen in section 2.5.1.

(e) Financial liabilities

The Group's financial liabilities are measured at amortised cost. Financial liabilities measured at amortised cost include deposits from other banks and customers, borrowings, certain insurance liabilities and trade and other liabilities. The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or have expired.

2.5.4 Impairment of financial assets

Assets carried at amortised cost

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred if, and only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably measured.

Objective evidence that a financial asset or a group of financial assets is impaired includes observable data that comes to the attention of the Group about the following loss events:

- (i) significant financial difficulty of the issuer or obligor;
- (ii) a breach of contract, such as default or delinquency in interest or principal payments;
- (iii) the Group granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
- (iv) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- (v) the disappearance of an active market for that financial asset because of financial difficulties; or
- (vi) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group including:
 - Adverse changes in the payment status of borrowers in a group; or
 - National or local economic conditions that correlate with defaults on the assets in a group.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

2.5.4 Impairment of financial assets (continued)

If there is objective evidence that a loss event (or events) on loans and receivables carried at amortised cost has occurred, the amount of the allowance is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the allowance is recognised in the statement of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring an impairment loss is the current effective interest rate determined under the contract.

When a loan is uncollectible, it is written off against the related allowance for loan impairment. Subsequent recoveries of amounts previously written off decrease the amount of the allowance for loan impairment in the statement of comprehensive income.

Impairment losses on loans and advances

Impairment losses are held in respect of loans and advances to customers. The level of impairment is determined in accordance with the provisions, set out in International Accounting Standard, ("IAS"), 39, 'Financial instruments: recognition and measurement'.

An allowance for loan impairment is established if there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms of the loans and advances. The amount of the allowance is the difference between the carrying amount and the recoverable amount. The loan loss allowance also covers losses where there is objective evidence that probable losses are present in components of the loan portfolio at the statement of financial position date. These have been estimated based upon historical patterns of losses in each component, the credit ratings allocated to the borrowers and reflecting the current economic climate in which the borrowers operate. When a loan is uncollectible, it is written off against the related allowance for the impairment. Subsequent recoveries are credited to the statement of comprehensive income.

Specific impairment for non-performing loans, covering identified impaired loans, are based on periodic evaluations of the loans and advances and take account of past loss experience, economic conditions and changes in the nature and level of risk exposure. Retail loans and advances are considered non-performing when amounts are due and unpaid for three months. Corporate loans are analysed on a case-by-case basis taking into account breaches of key loan conditions. Specific impairment against loans and advances is based on an appraisal of the loan portfolio, and is made where the repayment of identified loans is in doubt. Portfolio impairment is made in relation to losses which, although not separately identified, are known from experience to exist in any loan portfolio.

The Banking Regulations issued by the Reserve Bank of Zimbabwe also give guidance on provisioning for doubtful debts and stipulate certain minimum percentages to be applied to the respective categories of the loan book.

In order to comply with both prescriptions, the Directors have taken the view that where the IAS 39 charge is less than the amount provided for in the Banking Regulations, the difference is effectively an appropriation charged against equity and where it is more, the full amount will be charged to the statement of comprehensive income.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

2.5.4 Impairment of financial assets (continued)

Impairment allowances are applied to write-off advances when all security has been realised and further recoveries are considered to be unlikely. Recoveries of bad debts that would have been written off are shown as other income in the financial statements and where the bad debts are still part of an impairment allowance in the financial statements they are shown as a recovery in the statement of financial position.

Renegotiated loans

Loans that are either subject to collective impairment assessment or individually significant and whose repayment terms have been renegotiated are no longer considered to be past due but are reset to performing loans status. These loans are subject to ongoing review to determine whether they are considered impaired or past due.

Non-performing loans

Interest on loans and advances is accrued to income until such time as reasonable doubt exists about its collectability, thereafter and until all or part of the loan is written-off, interest continues to accrue on customers' account but is not included in income. Such suspended interest is deducted from loans and advances in the statement of financial position.

2.5.5 Derecognition

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have not been transferred, the Group tests any remaining control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition). Financial liabilities are derecognised when they have been redeemed or otherwise extinguished. Collateral furnished by the Group under standard repurchase agreements and securities lending and borrowing transactions is not derecognised because the Group retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met. This also applies to certain securitisation transactions in which the Group retains a portion of the risks.

2.5.6 Customer deposits

Customer deposits are recognized initially at fair value, net of transaction costs incurred. Deposits are subsequently shown at amortised costs using the effective interest method.

2.5.7 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

2.5.8 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in statement of comprehensive income in the period in which they are incurred.

2.5.9 Financial guarantees

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee liabilities are initially recognised at their fair value, and the initial fair value is amortised over the life of the financial guarantee. The guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment, (when a payment under the guarantee has become probable).

2.6 Balances with other banks and cash

Cash and bank balances comprise cash on hand, deposits held at call with other banks, and cash and balances with the Central Bank.

2.6.1 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with other banks, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value, and bank overdrafts. In the consolidated statement of financial position, bank overdrafts are shown as liabilities.

2.7 Trade and other receivables including insurance receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2.8 Insurance contracts

Classification of insurance contracts

Contracts under which the Group accepts significant insurance risk from another party (“the policyholder”) by agreeing to compensate the policyholder or other beneficiary in the event of loss are classified as insurance contracts. Insurance risk is risk other than financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index or other variable, provided, in the case of a non-financial variable, that the variable is not specific to a party to the contract. Insurance contracts may also transfer some financial risk.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

2.8 Insurance contracts (continued)

Contracts under which the transfer of insurance risk to the Group from the policyholder is not significant are classified as investment contracts.

Recognition and measurement

Revenue

Gross premiums written reflect business written during the year, and exclude any taxes or duties charged on premiums. Premiums written include estimates for 'pipeline' premiums and adjustments to estimates of premiums written in previous years.

The earned proportion of premiums is recognised as revenue. Premiums are earned from the date of attachment of risk, over the indemnity period, based on the pattern of the risks underwritten.

Unearned premium provision

The provision for unearned premiums comprises the proportion of gross premiums written which is estimated to be earned in the subsequent financial year, computed separately for each insurance contract using the daily pro rata method, adjusted if necessary to reflect any variation in the incidence of risk during the period covered by the contract.

Claims

Claims incurred comprise the settlement and handling costs paid and outstanding claims arising from events occurring during the financial year together with adjustments to prior year claims' provisions.

Claims outstanding comprise provisions for the Group's estimate of the ultimate cost of settling all the claims incurred but unpaid at the statement of financial position date whether reported or not, and related internal and external claims handling expenses. Claims outstanding are assessed by reviewing individual claims and making allowance for claims incurred but not yet reported, the effect of both internal and external foreseeable events, such as claims handling procedures, inflation, judicial trends, legislative changes and past experience and trends. Provisions for claims outstanding are not discounted.

Adjustments to claims provisions established in prior years are reflected in the financial statements of the period in which the adjustments are made and disclosed separately if material. The methods used, and the estimates made, are reviewed regularly.

Unexpired risk provision

Provision is made for unexpired risks arising from general insurance contracts where the expected value of claims and expenses attributable to the unexpired periods of policies in force at the statement of financial position date exceeds the unearned premiums provision in relation to such policies after the deduction of any deferred acquisition costs. The provision of unexpired risk is calculated by reference to classes of business which are managed together, after taking into account the future investment return on investments held to back the unearned premiums and unexpired claims provision.

Reinsurance assets

The reinsurance subsidiary cedes reinsurance to another reinsurer (hereafter a retrocessionaire) and the short-term insurance subsidiary cedes insurance risk to reinsurers in the normal course of business for the purpose of limiting its net loss potential through the diversification of its risks. Assets, liabilities, income

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

2.8 Insurance contracts (continued)

and expenses arising from ceded reinsurance contracts are presented separately from the related assets, liabilities, income and expense of the related insurance contract because the reinsurance arrangements do not relieve the Group from its direct obligations to its policyholders.

Only rights under contracts that give rise to a significant transfer of insurance risk are accounted for as reinsurance assets. Rights under contracts that do not transfer significant insurance risk are accounted for as financial instruments.

Reinsurance premiums for ceded reinsurance are recognised as an expense on a basis that is consistent with the recognition basis for the premiums on the related insurance contract. For general insurance business, reinsurance premiums are expensed over the period that the reinsurance cover is provided based on the expected pattern of the reinsured risks. The unexpensed portion of ceded reinsurance premiums is included in the reinsurance assets.

The net amounts paid to the reinsurer at the inception of a contract may be less than the reinsurance assets recognised by the Group in respect of rights under contracts. Any difference between the premium due to the reinsurer and the reinsurance asset recognized is included in the statement of comprehensive income in the period in which the reinsurance premium is due.

The amounts recognised as reinsurance assets are measured on a basis that is consistent with the measurement of the provisions held in respect of the related insurance contracts. Reinsurance assets include recoveries due from reinsurance companies in respect of claims paid. These are classified as loans and receivables and are included within trade and other receivables in the statement of financial position.

Reinsurance assets are assessed for impairment at each statement of financial position date. An asset is deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Group may not recover all amounts due, and that the event has a reliably measurable impact on the amounts that the Group will receive from the retrocessionaire.

Reinsurance liabilities

Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised when the obligation arises.

Deferred acquisition costs

Costs incurred in acquiring insurance contracts are deferred to the extent that they are recoverable out of future margins. Acquisition costs include direct cost such as commission and indirect costs such as administrative expenses connected with the processing of proposals and issuing of policies.

Deferred acquisition costs are amortised over the period in which the costs are expected to be recoverable out of future margins in the revenue from the related contracts.

For insurance contracts the deferred acquisition cost represents the proportion of acquisition costs which corresponds to the proportion of gross premiums written which is unearned at the statement of financial position date.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

2.9 Inventory

Inventory is stated at the lower of cost and net realisable value. Cost is determined using the first in, first-out (“FIFO”) method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.10 Investment property

Investment property is recognised as an asset when it is probable that future economic benefits that are associated with the investment property will flow to the Group and the cost of the property can be reliably measured. Investment property is initially measured at cost and subsequently measured at fair value.

Investment property is property held to earn rentals and/or for capital appreciation. It is stated at its fair value at the reporting date as determined by independent professional valuers. Gains or losses arising from changes in the fair value of investment property are included in the statement of comprehensive income in the period in which they arise.

The fair value of investment property is based on the nature, location and condition of the asset. The fair value is calculated by reference to market evidence of most recent proceeds achieved in arms length transactions of similar properties.

Transfers from investment property are made when there is a change in use, evidenced by commencement of owner-occupation for a transfer from investment property to owner-occupied property. The property's deemed cost for subsequent accounting is its fair value at the date of change in use.

Investment property is derecognised on disposal or when the property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gains or losses from disposal is determined as the difference between the net proceeds and the carrying amount of the asset is recognised in the statement of comprehensive income in the period of disposal.

2.11 Intangible assets

2.11.1 Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units (“CGUs”), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each cash generating unit or group of cash generating units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

2.11.1 Goodwill (continued)

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Negative goodwill arising on an acquisition represents the excess of the fair value of the net identifiable assets acquired over the cost of the acquisition. Negative goodwill is immediately recognised in the statement of comprehensive income.

2.11.2 Software licences

Separately acquired software licences are at historical cost less accumulated amortisation. Licences acquired in a business combination are recognised at fair value at the acquisition date. Licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of licences over their estimated useful lives not exceeding 5 years.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives ranging from three to five years. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

2.12 Property and equipment

(a) Recognition and measurement

The cost of an item of property and equipment is recognised as an asset if, and only if; it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably.

Land and buildings comprise mainly retail banking branches and offices occupied by the Group. Land and buildings are shown at fair value, based on periodic valuations by external independent valuers, less subsequent accumulated depreciation for buildings and subsequent accumulated impairment losses. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

All other property and equipment is stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. The cost of self constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, the cost of dismantling the asset and removing items and restoring the site on which they are located.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Where parts of an item of property or equipment have different useful lives, they are accounted for (major components) as separate property and equipment.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

2.12 Property and equipment (continued)

(b) Subsequent costs

The cost of replacing part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income within 'administrative expenses' during the financial period in which they are incurred. Subsequent costs can also be recognised as separate assets.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against revaluation reserve directly in equity; all other decreases are charged to the statement of comprehensive income. The revaluation surplus is transferred from revaluation reserve' to 'retained profits' on disposal of the revalued asset.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Freehold premises	50 years
Computer equipment	3-5 years
Motor vehicles	5 years
Office equipment	5-10 years
Furniture and fittings	10 years

Depreciation methods, useful lives and residual values are reassessed at each reporting date. Gains or losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income within other 'operating income'.

The carrying amounts of the Group's items of property and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment allowance is recognised whenever the carrying amount exceeds its recoverable amount. An assets' carrying amount is written down immediately to its recoverable amount if the assets' carrying amount is greater than the estimated recoverable amount (note 2.14)

(c) Derecognition

The carrying amount of an item of property and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal.

2.13 Time - share asset

The time - share asset comprises a house boat jointly owned with external entities and the Group has a majority share. The boat is recognised as an asset for owner use. The boat is stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the Time - share asset.

Depreciation is calculated using the straight-line method to allocate the cost or to the residual values over the estimated useful life of 10 years.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

2.14 Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment allowance is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows or cash generating units ("CGUs"). The impairment test can also be performed on a single asset when the fair value less cost to sell or the value in use can be determined reliably. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.15 Current and deferred income tax

The income tax expense for the year comprises current and deferred income tax. Income tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the income tax is also recognised in other comprehensive income or directly in equity.

The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes liabilities, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

2.16 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks to the obligation. The increase in the provision due to passage of time is recognised as interest expense. Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave.

2.17 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.18 Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of income tax, from the proceeds. Repurchase of share capital ("treasury shares"), where any group company purchases the Company's share capital ("treasury shares"), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's shareholders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's shareholders.

2.19 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are declared by the Company's directors.

2.20 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease. Lease income from operating leases is recognised in the statement of comprehensive income within 'other operating income' on a straight-line basis over the lease term.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

2.21 Revenue recognition

Revenue is derived substantially from the business of banking and related activities, provision of insurance services and the sale of manufactured products. Revenue is measured at the fair value of the consideration received or receivable. No revenue is recognized if there are significant uncertainties regarding recovery of the consideration due, measurement of the associated costs incurred to earn the revenue or the possible return of the goods. Revenue is recognised as follows; for the manufacturing subsidiary, revenue represents amounts invoiced to customers for goods supplied and services rendered, net of value added tax and allowances for defective goods.

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer.

From the business of banking and related services; revenue comprises interest income, fees and commission income, net trading income and dividend income.

2.21.1 Interest income and interest expense

Interest income and interest expense are recognised in the statement of comprehensive income for all interest instruments on an accrual basis using the effective interest method. The effective interest is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

Where financial assets have been impaired, interest income continues to be recognised on the impaired value, based on the original effective interest rate. Interest income excludes fair value adjustments on interest-bearing financial instruments. Fair value adjustments are reported under other income.

The calculation of the effective interest rate includes all fees paid or received, transaction costs, discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

2.21.2 Fee and commission income

Fee and commission income is generally recognised on an accrual basis when the service has been provided. Loan commitment fees ("establishment fees") for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate of the loan.

Commission and fee income arising in the negotiations or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transaction. Other management advisory and service fees are recognised based on an accrual basis.

2.21.3 Net trading income

Net trading and dealing income includes gains or losses arising from disposals and changes in fair values of financial assets and liabilities held for trading. Net trading income also includes gains or losses arising from changes in foreign currency exchange rates.

Income from equity investments and other non-fixed income investments is recognised as income on an accrual basis.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

2.21.4 Dividend income

Dividend income is recognised when the right to receive income is established. Usually this is at the ex-dividend date for equity securities. Dividends are reflected as a component of non-interest income based on the underlying classification of the equity instruments.

2.21.5 Sale of goods - property sales

The Group is involved in the construction of houses for sale through a structured mortgage transaction as part of its trading activities. The Group recognises revenue from sale of houses using the stage of completion method. Revenue on the land portion is recognized in full on execution of the sale agreement.

Revenue from sale of properties in the ordinary course of business is measured at fair value of the consideration received or receivable. Revenue is recognised when persuasive evidence exists usually in the form of an executed sale agreement, that the significant risk and rewards of ownership have been transferred to the buyer.

2.21.6 Insurance premiums (including reinsurance premiums)

Premiums written comprise the premiums on insurance contracts entered into during the year, irrespective of whether they relate in whole or in part to a later accounting period. Premiums are disclosed gross of commission to intermediaries and exclude taxes and levies based on premiums. Premiums written include adjustments to premiums written in prior accounting periods. Outward reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct insurance or inwards reinsurance business. An estimate is made at the statement of financial position date to recognise retrospective adjustments to premiums or commissions.

The earned portion of premiums received, including unclosed business, is recognised as revenue. Premiums on unclosed business are brought into account, based upon the pattern of booking of renewals and new business. Premiums are earned from the date of attachment of risk, over the indemnity period, based on the pattern of risks underwritten. Outward reinsurance premiums are recognised as an expense in accordance with the pattern of reinsurance service received. A portion of outwards reinsurance premiums are treated as prepayments.

2.22 Employee benefits

(a) Termination benefits

Termination benefits are benefits payable as a result of the Group's decision to terminate employment before the normal retirement date (or contractual date) or whenever an employee accepts voluntary redundancy in exchange of those benefits. Termination benefits are recognised as an expense at the earlier of the following dates: (a) when the Group can no longer withdraw the offer for these benefits; and (b) when the Group recognises costs for a restructuring that is within the scope of IAS 37 'Provisions, contingent liabilities and contingent assets' and involves the payment of terminal benefits. Termination benefits for voluntary redundancies are recognised if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

(b) Short term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) which fall due wholly within twelve months after the end of the period in which the employees render service. Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

2.22 Employee benefits (continued)

(c) Post employment benefits

Post employment benefits are employee benefits (other than termination benefits) which are payable after completion of employment. Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

Pension obligation

The Group provides for retirement benefit obligation in respect of its employees as follows;

- FBCH Pension Fund - Defined Contribution Fund,
- Eagle Insurance Pension Fund (for the short-term insurance subsidiary employees) - Defined Contribution Fund,
- National Social Security Authority (“NSSA”) - a Statutory Defined Contribution Fund. Contributions to NSSA are made in terms of statutory regulations and are charged against income as incurred.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

(d) Profit sharing and bonus plans

The Group recognises a liability and an expense for profit sharing and bonuses based on a formula that takes into consideration the profit attributable to the Company’s shareholders after an independent audit. The Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(e) Share-based payment transactions

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognised as an expense, with a corresponding increase in liabilities, over the period in which the employees become unconditionally entitled to payment. The liability is re-measured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as staff costs within operating expenses in the statement of comprehensive income.

2.23 Earnings per share

The Group presents basic and diluted earnings per share (“EPS”) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares during the year excluding ordinary shares purchased by the Company, held as treasury shares. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and then dividing by the weighted average number of outstanding shares during the year excluding ordinary shares purchased by the Company, held as treasury shares but taking into consideration, for the effects of all potential dilutive factors.

2.24 Headline earnings per share

The Group presents headline earnings per share (“HEPS”) for its ordinary shares. Headline earnings are calculated by excluding the following from the profit or loss attributable to ordinary shareholders of the Company; impairment/ subsequent reversal of impairment of property, plant and equipment and intangible assets; gains or losses on disposal of such assets; any remeasurements of investment property; remeasurement of goodwill impairment; the recognised gain on bargain purchase; gains or losses on disposals of financial assets classified as available for sale or associates and gains or losses in the loss of control or a subsidiary. These adjusted earnings are then divided by the weighted average number of ordinary shares during the year excluding ordinary shares purchased by the Company and held as treasury shares.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

2.25 Dividend in specie

The Group measures a liability to distribute non-cash assets as a dividend to its owners at the fair value of the assets to be distributed. At the end of each reporting period and at the date of settlement, the Group reviews and adjusts the carrying amount of the dividend payable, with any changes in the carrying amount of the dividend payable recognised in equity as adjustments to the amount of the distribution. When the Group settles the dividend payable, it recognises the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the dividend payable in profit or loss. Where the distribution constitutes a business, and the shares relating to the business are quoted on an active market, the liability is measured at the fair value of the shares to be distributed using the quoted price.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group's financial statements and its financial results are influenced by accounting policies, assumptions, estimates and management judgements, which necessarily have to be made in the course of the preparation of the financial statements.

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard. Estimates and judgements are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events. Accounting policies and management's judgements for certain items are especially critical for the Group's results and financial situation due to their materiality.

3.1 Impairment allowances on loans and advances

Collective impairment

The Group assesses its loan portfolios for impairment at least monthly. In determining whether an impairment allowance should be recorded in the statement of comprehensive income, the Group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be allocated to an individual loan in that portfolio. Estimates are made of the duration between occurrence of a loss event and the identification of a loss on an individual basis. The impairment for performing and past due but not impaired loans is calculated on a portfolio basis based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio.

These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated emergence period.

Specific loan impairments

Non-performing loans include those for which the Group has identified objective evidence of default, such as a breach of a material loan covenant or condition as well as those loans for which installments are due and unpaid for long periods. Management's estimates of future cash flows on individually impaired loans are based on historical loss experience for assets with similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Recoveries of individual loans as a percentage of the outstanding balances are estimated as follows;

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

3.1 Impairment allowances on loans and advances (continued)

	Expected time to recovery 2017 Months	Expected recoveries as a percentage of impaired loans 2017 %	Impairment loss Sensitivity 2017 US\$	Expected time to recovery 2016 Months	Expected recoveries as a percentage of impaired loans 2016 %	Impairment loss Sensitivity 2016 US\$
Personal Loans	6	10	2 184	6	10	7 393
Corporate Loans	12	75	18 634	12	75	16 643

Sensitivity is based on the effect of a one percentage point increase in the value of the estimated recovery on the value of the specific impairment.

3.2 Income taxes

The Group is subject to income tax in Zimbabwe except for one subsidiary, FBC Building Society which is exempt from income tax. Significant judgement is required in determining the income tax payable. There are many transactions and calculations for which ultimate tax determination during the ordinary course of business is estimated. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final outcome of these matters is different from amounts that were initially recognised, such differences will impact the income and deferred income tax liabilities in the period in which such determination is made. Additional information is disclosed in note 18 and 30.

3.3 Claims

The Group's estimates for reported and unreported losses and establishing provisions are continually reviewed and updated, and adjustments resulting from this review are reflected in the statement of comprehensive income. The process is based on the basic assumption that past experience, adjusted for the effect of current developments and likely trends, is an appropriate basis for predicting future events. Additional information is disclosed in note 16.

3.4 Inventory valuation

The process for evaluating inventory obsolescence or market value often requires the Group to make subjective judgments and estimates concerning future sales levels, quantities and prices at which such inventory will be sold in the normal course of business. The Group adjusts the inventory by the difference between the estimated market value and the actual cost of the inventory to arrive at net realizable value. The Group's estimates for market value are reviewed at least annually and updated. Any write down resulting from this review is reflected in the statement of comprehensive income in 'cost of sales'.

4 BALANCES WITH BANKS AND CASH

4.1 Balances with Reserve Bank of Zimbabwe ("RBZ")

Current account balances

Balances with banks and cash

Notes and coins

Other bank balances

Balances with banks and cash (excluding bank overdrafts)

Current

Non-current

Total

	31-Dec-17 US\$	31-Dec-16 US\$
Current account balances	135 219 548	95 549 439
Notes and coins	5 228 887	6 914 832
Other bank balances	40 554 130	81 779 748
	45 783 017	88 694 580
Balances with banks and cash (excluding bank overdrafts)	181 002 565	184 244 019
Current	181 002 565	184 244 019
Non-current	-	-
Total	181 002 565	184 244 019

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

	31-Dec-17 US\$	31-Dec-16 US\$
4.2 Cash and cash equivalents		
Cash and cash equivalents include the following for the purposes of the statement of cash flows;		
Current account balance at Reserve Bank of Zimbabwe ("RBZ") (note 4.1)	135 219 548	95 549 439
Balances with banks and cash (note 4.1)	45 783 017	88 694 580
	181 002 565	184 244 019
Per cash flow statement	181 002 565	184 244 019
5 LOANS AND RECEIVABLES		
5.1 Loans and advances to customers		
Loans and advance maturities		
Maturing within 1 year	96 850 768	110 171 383
Maturing after 1 year	219 133 866	185 463 630
	315 984 634	295 635 013
Gross carrying amount	(15 237 829)	(19 100 200)
Impairment allowance	300 746 805	276 534 813

The maturity analysis of loans and receivables is based on contractual maturity from year end.

Reconciliation of impairment allowance by nature of advance	Mortgages US\$	Personal loans US\$	Corporate loans US\$	Total US\$
As at 1 January 2016	2 115 242	4 652 547	13 616 833	20 384 622
Charge for the year	649 634	(272 343)	6 453 789	6 831 080
Increase in impairment allowances	649 634	771 344	6 453 789	7 874 767
Reversal of impairment	-	(1 043 687)	-	(1 043 687)
Interest in suspense/(recoveries)	77 979	(465 952)	(1 436 060)	(1 824 033)
Amount written off during the year and uncollectable	(302 416)	-	(5 989 053)	(6 291 469)
As at 31 December 2016	2 540 439	3 914 252	12 645 509	19 100 200
As at 1 January 2017	2 540 439	3 914 252	12 645 509	19 100 200
Charge for the year	600 697	(326 026)	6 342 964	6 617 635
Increase in impairment allowances	600 697	(326 026)	6 342 964	6 617 635
Reversal of impairment	-	-	-	-
Interest in suspense/(recoveries)	45 647	(462 939)	(1 735 247)	(2 152 539)
Amount written off during the year and uncollectable	(970 103)	-	(7 357 364)	(8 327 467)
As at 31 December 2017	2 216 680	3 125 287	9 895 862	15 237 829

The specific allowance is arrived at after discounting the expected cash flows either from repayment or realisation of registered bond values of security held. The collective allowance has been determined using the Group's historical loss experience.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

	31-Dec-17 US\$	31-Dec-16 US\$
5.2 Trade and other receivables		
Insurance receivables;		
- Due by insurance clients and insurance brokers	8 625 540	6 292 404
- Due by reinsurers	415 586	436 287
- Due by retrocessionaires	1 011 934	2 539 016
Gross carrying amount	10 053 060	9 267 707
Impairment allowance	(413 400)	(147 470)
	9 639 660	9 120 237
Current	9 639 660	9 120 237
Non-current	-	-
Total	9 639 660	9 120 237

5.3 Irrevocable commitments

There are no irrevocable commitments to extend credit, which can expose the Group to penalties or disproportionate expense.

	Loans and advances	Trade and other receivables	Total
5.4 Allowance for impairment			
Balance as at 1 January 2016	20 384 622	513 742	20 898 364
Impairment allowance through statement of comprehensive income	7 874 767	-	7 874 767
Reversal of impairment	(1 043 687)	-	(1 043 687)
Amounts written off during the year as uncollectable	(6 291 469)	(366 272)	(6 657 741)
Interest in suspense/(recoveries)	(1 824 033)	-	(1 824 033)
Balance as at 31 December 2016	19 100 200	147 470	19 247 670
Balance as at 1 January 2017	19 100 200	147 470	19 247 670
Impairment allowance through statement of comprehensive income	6 617 635	265 930	6 883 565
Reversal of impairment	-	-	-
Amounts written off during the year as uncollectable	(8 327 467)	-	(8 327 467)
Interest in suspense/(recoveries)	(2 152 539)	-	(2 152 539)
Balance as at 31 December 2017	15 237 829	413 400	15 651 229

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

6	BONDS AND DEBENTURES	31-Dec-17 US\$	31-Dec-16 US\$
	Maturing after 6 months but within 3 years	27 633 715	9 139 955
	Current	-	-
	Non-current	27 633 715	9 139 955
	Total	27 633 715	9 139 955
	Bonds have fixed interest rates of 7%, 10% and 5%. They mature on 30 June 2018, 30 September 2018, 30 June 2019 and 30 September 2020.		
7	FINANCIAL ASSETS		
7.1	Financial assets at fair value through profit or loss		
	Listed securities at market value	2 365 325	1 102 173
	Current	2 365 325	1 102 173
	Non-current	-	-
	Total	2 365 325	1 102 173
7.2	Financial assets held to maturity		
	Treasury bills	102 789 379	75 078 481
	Savings bonds	10 089 444	-
		112 878 823	75 078 481
	Current	53 421 053	46 704 440
	Non-current	59 457 770	28 374 041
		112 878 823	75 078 481
	Assets with a value of US\$26 115 851 (2016: US\$38 040 265) were pledged as collateral on deposits from customers.		
8	AVAILABLE FOR SALE FINANCIAL ASSETS		
	Listed securities at market value	835 710	862 886
	Current	835 710	862 886
	Non-current	-	-
	Total	835 710	862 886
9	INVENTORY		
	Raw materials	125 368	67 719
	Work in progress	4 089 434	1 835 080
	Finished goods	2 309 135	3 268 537
		6 523 937	5 171 336
	Current	6 523 937	5 171 336
	Non-current	-	-
	Total	6 523 937	5 171 336

Included in work in progress is US\$4 089 434 (2016: US\$1 835 080) relating to residential properties for sale which are under construction. The cost of inventory recognised as an expense and included in the cost of sales amounted to US\$4 212 915 (2016: US\$ 6 039 694).

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

10 PREPAYMENTS AND OTHER ASSETS	31-Dec-17 US\$	31-Dec-16 US\$
Prepayments	6 472 439	1 404 660
Deferred acquisition costs	742 791	741 296
Commission receivable	-	1 711 043
Refundable deposits for Mastercard and Visa transactions	4 664 519	2 574 983
Stationery stock and other consumables	19 024	20 869
Time - share asset	33 750	45 000
Zimswitch acquiring receivables	8 075 828	2 966 790
Other	3 675 953	590 052
	23 684 304	10 054 693
Current	23 650 554	8 298 650
Non-current	33 750	1 756 043
Total	23 684 304	10 054 693
11 INVESTMENT PROPERTY		
Balance as at 1 January	3 710 457	2 472 140
Additions	2 483 981	1 615 028
Fair value adjustments	2 129 962	(5 320)
Disposal	(140 000)	(371 391)
Balance as at 31 December	8 184 400	3 710 457
Current	-	-
Non-current	8 184 400	3 710 457
Total	8 184 400	3 710 457
Investment property comprises the following:		
Residential house, Victoria Falls	25 000	25 000
Residential houses, Harare	3 445 000	1 480 000
Residential stands, Harare	3 049 400	2 165 457
Residential stand, Seke	50 000	40 000
Residential houses, out of Harare	215 000	-
Commercial stands, Harare	1 400 000	-
	8 184 400	3 710 457

The fair value of the investment property as at 31 December 2017 was arrived at on the basis of a valuation carried out by an independent professionally qualified valuer who holds a recognised relevant professional qualification and has recent experience in the locations and categories of the investment properties valued using the open market value method. The valuation was arrived at by reference to market evidence of transaction prices for similar properties. No liabilities are guaranteed by investment property. Refer to note 35 for fair value disclosures on investment property.

Included in other operating income is rental income of US\$59 521 (2016: US\$151 537) relating to investment property.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

12 INTANGIBLE ASSETS	Software US\$
Year ended 31 December 2016	
Opening net book amount	897 946
Additions	1 510 286
Impairment loss	(1 337)
Amortisation charge	(516 869)
Closing net book amount	1 890 026
As at 31 December 2016	
Cost	5 922 848
Accumulated amortisation	(4 031 485)
Accumulated impairment	(1 337)
Net book amount	1 890 026
Year ended 31 December 2017	
Opening net book amount	1 890 026
Additions	615 899
Impairment loss	(27 890)
Amortisation charge	(626 899)
Closing net book amount	1 851 136
As at 31 December 2017	
Cost	6 538 746
Accumulated amortisation	(4 658 383)
Accumulated impairment	(29 227)
Net book amount	1 851 136

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

13 PROPERTY AND EQUIPMENT	Land and buildings	Machinery	Computer equipment	Furniture and office equipment	Motor vehicles	Total
	US\$	US\$	US\$	US\$	US\$	US\$
Year ended						
31 December 2016						
Opening net book amount	17 023 884	-	1 739 955	4 897 265	985 754	24 646 858
Additions	64 935	-	189 562	1 808 361	568 694	2 631 552
Disposals	-	-	(2 105)	-	(106 536)	(108 641)
Depreciation	(411 063)	-	(550 555)	(795 810)	(322 297)	(2 079 725)
Closing net book amount	16 677 756	-	1 376 857	5 909 816	1 125 615	25 090 044
As at 31 December 2016						
Cost or valuation	17 495 968	184 423	4 523 020	9 650 115	2 912 162	34 765 688
Accumulated depreciation	(818 212)	(184 423)	(3 146 163)	(3 732 417)	(1 534 996)	(9 416 211)
Accumulated impairment	-	-	-	(7 882)	(251 551)	(259 433)
Net book amount	16 677 756	-	1 376 857	5 909 816	1 125 615	25 090 044
Year ended						
31 December 2017						
Opening net book amount	16 677 756	-	1 376 857	5 909 816	1 125 615	25 090 044
Additions	294 168	-	524 705	3 234 580	797 629	4 851 082
Revaluation of property	1 311 411	-	-	-	-	1 311 411
Impairment loss	1 629	-	-	-	-	1 629
Disposals	-	-	(572)	(62 752)	(2 104)	(65 428)
Depreciation	(414 680)	-	(517 987)	(1 027 066)	(379 814)	(2 339 547)
Closing net book amount	17 870 284	-	1 383 003	8 054 578	1 541 326	28 849 191
As at 31 December 2017						
Cost or valuation	19 101 547	184 423	5 035 366	12 467 614	3 511 902	40 300 852
Accumulated depreciation	(1 232 892)	(184 423)	(3 652 363)	(4 405 154)	(1 719 025)	(11 193 857)
Accumulated impairment	1 629	-	-	(7 882)	(251 551)	(257 804)
Net book amount	17 870 284	-	1 383 003	8 054 578	1 541 326	28 849 191

If land and buildings were stated on historical cost basis, the amount would be as follows;

	31-Dec-17 US\$	31-Dec-16 US\$
Cost	17 711 651	17 417 483
Accumulated depreciation	(3 664 747)	(3 250 067)
Net book amount	14 046 904	14 167 416

The Group has pledged some of its freehold premises as security for deposits. Mortgage bonds to the value of US\$13 436 050 (US\$12 427 172 as at 31 December 2016) have been registered in favour of National Social Security Association "NSSA" and pledged as security for term deposits received from NSSA. As at 31 December 2017, the Group held deposits amounting to US\$53 376 000 (US\$48 102 000 as at 31 December 2016) from NSSA, that were secured by the mortgage bonds.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

Fair values of land and buildings

An independent valuation of the Group's land and buildings was performed by valuers to determine the fair value of the land and buildings as at 31 December 2017. The revaluation surplus net of applicable deferred income taxes was credited to other comprehensive income and is shown in 'revaluation reserves' in shareholders equity. The following table analyses the non-financial assets carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Fair value measurements at 31 December 2017 using Significant

	Observable	Significant	Total
	inputs	unobservable	
	Level 2	Level 3	
	US\$	US\$	US\$
Recurring fair value measurements for land and buildings			
- Office buildings	-	16 800 000	16 800 000
- Land and residential properties	1 070 284	-	1 070 284
	1 070 284	16 800 000	17 870 284

Fair value measurements at 31 December 2016 using Significant

	Observable	Significant	Total
	inputs	unobservable	
	Level 2	Level 3	
	US\$	US\$	US\$
Recurring fair value measurements for land and buildings			
- Office buildings	-	15 689 656	15 689 656
- Land and residential properties	988 100	-	988 100
	988 100	15 689 656	16 677 756

There were no level 1 assets or transfers between levels 1 and 2 during 2017

Valuation techniques used to derive fair values

The valuation technique for the office buildings is the investment approach as the highest and best use of these properties was for office space. The following key inputs were used to determine the fair value;

- Rental rates in price per square meter. These were obtained by comparison of rates for similar properties in similar locations.
- Void rates as a percentage. This is the level of unoccupied space and was based on rates published by listed property companies.
- Capitalization rate. This is what investors expect to earn as a percentage of their investment on an annual basis. The basis of these rates are actual transactions that transpired during the year.

The valuation of land and residential properties was derived using the sales comparison approach. Sales prices of comparable land and buildings in close proximity was adjusted for differences in key attributes such as property size. The most significant input into this valuation approach was price per square meter.

	Office buildings		Land and residential properties	
	2017	2016	2017	2016
	US\$	US\$	US\$	US\$
Land and buildings				
Opening balance	15 689 656	16 022 098	988 100	1 001 787
Depreciation recognised	(400 429)	(397 377)	(14 251)	(13 687)
Revaluation gains recognised	1 232 208	-	79 202	-
Impairment adjustment recognised in profit or loss	1 629	-	-	-
Additions	276 937	64 935	17 233	-
Closing balance	16 800 000	15 689 656	1 070 284	988 100

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

Valuation processes of the Group

On a three year basis, the Group engages external, independent and qualified valuers to determine the fair value of the Group's land and buildings. As at 31 December 2017, the fair values of the land and buildings was determined by Bard Real Estate (Private) Limited. The external valuations of the level 3 land and buildings was performed using an investment approach, unlike the level 2 land and buildings which used the sales comparison approach. There was a limited number of sales in the market for commercial property and therefore the valuations were performed using unobservable inputs. The external valuers determined these inputs based on the size, age and condition of the land and buildings, the state of the local economy and comparable rental rates.

Information about fair value measurements using significant unobservable inputs (Level 3)

31 December 2017			Range of unobservable inputs (probability to weighted average)	Relationship of unobservable inputs to fair value
Description	Valuation technique	Unobservable inputs		
Office buildings	Investment approach	Rental rate per square meter	US\$7 - US\$12	The higher the price per square metre, the higher the fair value
		Void rate as a percentage	10%	The higher the void rate, the lower the fair value
		Capitalisation rate as a percentage	10% - 12%	The higher the capitalisation rate the lower the fair value
Land and residential properties	Sales comparison approach	Price per square meter	US\$200 - US\$400	The higher the price per square metre, the higher the fair value

14.1 Deposits from customers

Demand deposits
Promissory notes
Other time deposits

Current
Non-current
Total

14.2 Deposits from other banks

Money market deposits

Current
Non-current
Total

	31-Dec-17 US\$	31-Dec-16 US\$
	266 871 536	123 120 420
	52 691 470	29 644 300
	101 110 931	102 501 952
	420 673 937	255 266 672
	415 565 186	250 293 348
	5 108 751	4 973 324
	420 673 937	255 266 672
	88 729 907	114 850 822
	88 729 907	114 850 822
	-	-
	88 729 907	114 850 822

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

14.3 Deposit concentration	2017		2016	
	US\$	%	US\$	%
Agriculture	18 406 872	4%	13 041 693	4%
Construction	9 410 422	2%	6 598 389	2%
Wholesale and retail trade	101 394 353	19%	71 826 042	19%
Public sector	34 343 637	7%	27 464 401	7%
Manufacturing	47 777 712	9%	27 687 781	7%
Telecommunication	29 651 248	6%	10 380 673	3%
Transport	20 203 403	4%	6 521 667	2%
Individuals	61 003 339	12%	42 973 492	12%
Financial services	74 941 882	15%	90 627 629	24%
Mining	61 813 610	12%	26 083 386	7%
Other	50 457 366	10%	46 912 341	13%
	509 403 844	100%	370 117 494	100%

Deposits are classified as financial liabilities at amortised cost. Deposits due to customers primarily comprise amounts payable on demand.

15 BORROWINGS	31-Dec-17	31-Dec-16
	US\$	US\$
Foreign lines of credit	13 499 380	85 194 115
Other borrowings	1 081 629	189 820
	14 581 009	85 383 935
Current	2 638 004	72 850 007
Non-current	11 943 005	12 533 928
Total	14 581 009	85 383 935

These loans are analysed as follows:

Shelter Afrique - US\$5 000 000 being repaid quarterly over 10 years ending 31 December 2022, 2 years capital repayment grace period and bears interest at a rate of 11% per annum.

The Zimbabwe Agricultural Development Trust ("ZADT") US\$1 002 396.00 is a revolving fund with interest of 6.5% per annum

Norsad Finance Limited - US\$ 10 million facility. The facility was availed from December 2016 and has an effective interest rate of 9.54% per annum with a tenure of 5 years.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

16 INSURANCE LIABILITIES	31-Dec-17 US\$	31-Dec-16 US\$
Gross outstanding claims	4 441 660	6 321 008
Liability for unearned premium	3 239 204	3 149 926
	7 680 864	9 470 934
Current	7 680 864	9 470 934
Non-current	-	-
Total	7 680 864	9 470 934
16.1 Gross outstanding claims		
Gross outstanding claims at the beginning of the year	5 899 830	5 799 068
Reinsurer's share of technical liabilities	(2 117 838)	(2 034 269)
Net outstanding claims at the beginning of the year	3 781 992	3 764 799
Change in liability for claims	(352 238)	55 189
Reinsurer's share of technical liabilities at the end of the year	1 011 906	2 501 020
Gross outstanding claims at the end of the year	4 441 660	6 321 008
16.2 Liability for unearned premium		
Gross liability for unearned premium	3 157 679	3 605 358
Reinsurer's share of the provision for unearned premium	81 525	(455 432)
Balance at end of the year	3 239 204	3 149 926

Assumptions and sensitivities for general insurance liabilities

The process used to determine the assumptions is intended to result in neutral estimates of the most likely or expected outcome. The sources of data used as inputs for the assumptions are internal, using detailed studies that are carried out annually. The assumptions are checked to ensure that they are consistent with observable market prices or other published information. There is more emphasis on current trends, and where in early years there is insufficient information to make a reliable best estimate of claims development, prudent assumptions are used. The nature of the business makes it very difficult to predict with certainty the likely outcome of any particular claim and the ultimate cost of notified claims. Each notified claim is assessed on a separate, case by case basis with due regard to the claim circumstances, information available from loss adjusters and historical evidence of the size of similar claims. Case estimates are reviewed regularly and are updated as and when new information arises. The liabilities are based on information currently available. However, the ultimate liabilities may vary as a result of subsequent developments.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

The impact of many of the items affecting the ultimate costs of the loss are difficult to estimate. The provision estimation difficulties also differ by class of business due to a difference in the underlying insurance contract, claim complexity, the volume of claims and the individual severity of claims, determining the occurrence date of a claim, and reporting lags. To the extent that these methods use historical claims development information they assume that the historical claims development pattern will occur again in the future. There are reasons why this may not be the case, which if identified, can be allowed for by modifying the methods. Such reasons include:

- changes in processes that affect the development/recording of claims paid and incurred;
- economic, legal, political and social trends;
- changes in mix of business;
- random fluctuations, including the impact of large losses.

Gross outstanding claims includes incurred but not yet reported ("IBNR") losses and is provided for at 8.4% (2016: 7%) of net written premium for the reinsurance subsidiary and 5% (2016: 5%) of net written premium for the insurance subsidiary. The 8.4% and 5% were arrived at after consideration of past experience. A separate calculation is carried out to estimate the size of reinsurance recoveries. The Group is covered by a variety of reinsurance programmes with sufficiently high retentions for only relatively few, large claims to be recoverable. The method used by the Group takes historical data, gross IBNR estimates and details of the reinsurance programme, to assess the expected size of reinsurance recoveries. The Group believes that the liability for claims reported in the statement of financial position is adequate. However, it recognises that the process of estimation is based upon certain variables and assumptions which could differ when claims arise.

The below summarises the impact of increases or decreases of percentages used to estimate IBNR on the Group's post-tax profit for the year. The analysis is based on the assumption that the percentages have increased or decreased by 10% which is within range of fluctuations based on experience with all other variables held constant.

	31-Dec-17 US\$	31-Dec-16 US\$
Impact of 10% increase in the percentage used to estimate IBNR		
Incurred but not yet reported ("IBNR") losses	121 204	122 489
17 TRADE AND OTHER PAYABLES		
Trade and other payables	12 575 694	8 580 473
Deferred income	5 908 279	4 487 315
VISA and MasterCard settlement payables	9 484 047	886 415
Other liabilities	7 343 158	5 854 894
	35 311 178	19 809 097
Current	35 311 178	19 809 097
Non-current	-	-
Total	35 311 178	19 809 097

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

18 DEFERRED INCOME TAX ASSET AND LIABILITY

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same tax authority. Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 25.75% (2016: 25.75%).

	31-Dec-17 US\$	31-Dec-16 US\$
The movement on the deferred income tax account is as follows:		
As at 1 January	(7 373 211)	(5 471 388)
Statement of comprehensive income charge (note 30)	307 551	(1 901 189)
Tax charge relating to components of other comprehensive income	313 414	(634)
As at 31 December	(6 752 246)	(7 373 211)
18.1 Analysis of charge in the statement of comprehensive income		
The deferred income tax charge in the statement of comprehensive income comprises the following temporary differences:		
Allowance for loan impairment	925 620	(921 971)
Property and equipment allowances	224 292	(335 314)
Unrealised gains on foreign exchange and equities	(32 249)	20 398
Available for sale financial assets	(272)	(635)
Accrual for leave pay	10 012	535 146
Deferred acquisition costs	886	1 445
Unearned premium reserve and deferred income	(54 516)	(64 067)
Prepayments and other assets	(408 077)	(972 742)
Assessable tax loss	(358 145)	(163 449)
Total	307 551	(1 901 189)
18.2 Deferred income tax assets and liabilities		
Deferred income tax assets and liabilities are attributable to the following items:		
Allowance for loan impairment	(8 720 890)	(9 646 510)
Available for sale financial assets	(50 042)	(49 770)
Property and equipment allowances	4 731 087	4 506 795
Unrealised gains on foreign exchange and equities	654 410	373 245
Accrual for leave pay	529 362	519 350
Deferred acquisition costs	306 915	306 029
Unearned premium reserve and deferred income	(764 292)	(709 776)
Prepayments and other assets	(439 679)	(31 602)
Assessable tax loss	(2 346 755)	(1 988 610)
Net outstanding claims	(652 362)	(652 362)
	(6 752 246)	(7 373 211)

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

18.3 Timing of reversal temporary differences	31-Dec-17 US\$	31-Dec-16 US\$
Deferred income tax assets		
- Deferred income tax asset to be recovered after more than 12 months	7 586 301	8 145 597
Total	7 586 301	8 145 597
Deferred income tax liabilities		
-Deferred income tax liability to be recovered after more than 12 months	834 055	772 386
Net deferred income tax asset	(6 752 246)	(7 373 211)

The deferred income tax arising from property, plant and equipment allowances has been determined using income tax values that the Group has ascertained with the aid of guidance issued by the Zimbabwe Revenue Authority ("ZIMRA").

Deferred income tax assets arise from allowances for loan impairments which are disclosed for tax purposes. Deduction for loans written off are allowable for tax purposes.

19 SHARE CAPITAL AND SHARE PREMIUM	31-Dec-17	31-Dec-16		
19.1 Authorised				
Number of ordinary shares, with a nominal value of US\$0,00001	800 000 000	800 000 000		
19.2 Issued and fully paid				
Number of ordinary shares, with a nominal value of US\$0,00001	671 949 927	671 949 927		
19.3 Share capital movement				
	Number of Shares	Share Capital US\$	Share Premium US\$	Total US\$
As at 31 December 2016	671 949 927	6 719	14 083 173	14 089 892
As at 31 December 2017	671 949 927	6 719	14 083 173	14 089 892

The unissued share capital is under the control of the directors subject to the restrictions imposed by the Zimbabwe Companies Act (Chapter 24:03), Zimbabwe Stock Exchange Listing Requirements and the Articles and Memorandum of Association of the Company.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

20 OTHER RESERVES	31-Dec-17 US\$	31-Dec-16 US\$
Revaluation reserves	3 163 733	2 170 001
Non distributable reserves	36 624 611	36 624 611
Regulatory reserves	-	-
Available for sale reserves	(150 504)	(123 599)
Treasury shares reserves	(2 501 344)	(2 501 344)
Changes in ownership reserve	1 670 671	1 670 671
	38 807 167	37 840 340

The definitions of the reserves are as follows;

The revaluation reserve consists of increases in the value of land and buildings on revaluation.

Non-distributable reserves are the net result of the restatement of assets and liabilities that could be recovered or settled in a currency other than the Zimbabwe dollar ("ZW\$") or could be reasonably translated into a currency other than the ZW\$ as at 1 January 2009, less deferred income tax and net of amounts subsequently transferred to share capital and share premium.

Regulatory reserves are impairment allowances, the Group is legally required to maintain on its statement of financial position that are over and above those required by IFRS.

Available for sale reserve comprises the changes in the fair value of available-for-sale financial assets, net of tax.

Treasury share reserve represents shares the Group has issued and subsequently reacquired.

Change in ownership reserve represents the net expense or gain resulting in a step acquisition of a subsidiary.

21 INTEREST INCOME	31-Dec-17 US\$	31-Dec-16 US\$
Cash and cash equivalents	2 322 219	2 970 277
Loans and advances to other banks	2 503 909	2 911 802
Loans and advances to customers	44 744 734	48 994 578
Banker's acceptances and tradable bills	15 745 817	11 464 532
Other interest income	399 167	659 182
	65 715 846	67 000 371
Credit related fees that are an intergral part of the effective interest on loans and advances have been classified under interest income.		
21.1 Interest expense		
Deposit from other banks	6 879 265	6 428 835
Demand deposits	884 481	779 248
Afreximbank and PTA Bank	4 785 062	9 515 740
Time deposits	7 098 347	5 478 550
	19 647 155	22 202 373

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

	31-Dec-17 US\$	31-Dec-16 US\$
22 FEE AND COMMISSION INCOME		
Retail service fees	28 163 280	23 388 750
Credit related fees	2 840 406	2 266 666
Investment banking fees	407 194	289 657
Brokerage commission	517 468	147 326
Financial guarantee contract commission	120	52
	31 928 468	26 092 451
22.1 Fee and commission expense		
Brokerage	322 495	174 718
23 REVENUE		
Property sales	5 387 808	7 001 895
23.1 Cost of sales		
Raw materials	4 212 915	6 039 694
24 INSURANCE PREMIUM REVENUE		
Gross premium written	31 077 487	32 240 428
Change in unearned premium reserve ("UPR")	(89 279)	455 432
	30 988 208	32 695 860
25 NET GAIN FROM FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE		
Financial assets at fair value through profit or loss (note 7), fair value loss	636 005	231 188
26 OTHER OPERATING INCOME		
Rental income	113 834	293 653
Profit disposal of property and equipment	14 326	34 562
Fair value adjustment on investment property	2 059 627	(5 320)
Bad debts recoveries	2 622 952	1 090 554
Sundry income	930 251	400 802
Rental income is earned from owner occupied properties. Included in rental income is US\$59 521 (2016-US\$ 151 537) earned from investment property.	5 740 990	1 814 251
27 NET INSURANCE COMMISSION EXPENSE		
Commissions paid	4 897 686	5 764 835
Commission received	(1 113 150)	(1 594 156)
Change in technical provisions	(1 494)	160 812
	3 783 042	4 331 491

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

28 INSURANCE CLAIMS AND LOSS ADJUSTMENT EXPENSES

Year ended 31 December 2017	Gross US\$	Reinsurance US\$	Net US\$
Claims and loss adjustment expenses	15 209 511	(6 597 098)	8 612 413
Change in technical provisions	(352 267)	18 989	(333 278)
Total claims	14 857 244	(6 578 109)	8 279 135
Year ended 31 December 2016			
Claims and loss adjustment expenses	15 395 009	(7 872 542)	7 522 467
Change in technical provisions	17 193	133 106	150 299
Total claims	15 412 202	(7 739 436)	7 672 766

29 ADMINISTRATIVE EXPENSES

	31-Dec-17 US\$	31-Dec-16 US\$
Marketing	1 775 133	1 233 746
Premises	1 835 993	1 358 483
Computer	3 267 393	2 683 626
Insurance	1 235 445	515 745
Travel	649 936	1 238 124
Security	1 560 013	1 795 893
Communication	1 023 141	1 067 195
Donations	29 965	37 901
Subscriptions	800 180	479 125
Operational losses	231 063	103 394
Mastercard and Visa expenses	1 613 059	1 266 207
Other administration expenses	5 635 118	3 874 311
Staff costs (note 29.1)	26 774 254	22 174 999
Directors' remuneration (note 29.2)	6 281 630	5 549 760
Audit fees:		
- Current year fees	313 600	340 008
- Prior year fees	67 161	178 300
- Other services	-	-
Depreciation	2 339 547	2 079 725
Amortisation and impairment loss (note 12)	654 789	518 206
Operating lease payment	957 211	976 604
	57 044 631	47 471 352
29.1 Staff costs		
Salaries and allowances	24 345 651	20 564 427
Social security	363 974	339 566
Pension contribution	1 283 236	1 245 034
Retrenchment cost	-	25 972
Long service awards	781 393	-
	26 774 254	22 174 999

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

	31-Dec-17 US\$	31-Dec-16 US\$
29.2 Directors' remuneration		
Board fees	778 162	672 176
Other emoluments	49 914	73 967
For services as management	5 453 554	4 803 617
	6 281 630	5 549 760
29.3 Operating leases		
Non - cancellable operating lease rentals are payable as follows:		
Up to one year	779 799	810 271
One to two years	196 624	213 711
	976 423	1 023 982

The Group leases some of its properties under operating leases. The leases typically run for a period of 1 year, with an option to renew the lease after that date. Lease payments are reviewed in line with prevailing market conditions on an annual basis to align them to market rentals. The leases provide for additional rent payments that are based on changes in the local price index. During the year ended 31 December 2017, US\$957 211 (2016: US\$976 604) was recognised as an expense in the statement of comprehensive income.

	31-Dec-17 US\$	31-Dec-16 US\$
30 INCOME TAX EXPENSE:		
30.1 Charge for the year		
Current income tax on income for the reporting year	5 370 913	5 267 514
Prior year under provision	376 860	371 654
Deferred income tax	307 551	(1 901 189)
Income tax expense	6 055 324	3 737 979
The income tax rate applicable to the Group's taxable income for the year ended 31 December 2017 is 25.75% (2016: 25.75%).		
30.2 Reconciliation of income tax expense		
The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the principal tax rate of 25.75% (2016: 25.75%) as follows;		
Profit before income tax	29 303 554	25 675 705
Income tax charged based on profit for the year at 25.75% (2016:25.75%)	7 545 665	6 611 494
Tax effect of:		
Exempt income	(3 214 213)	(3 275 400)
Expenses not deductible for tax purposes	2 245 110	213 914
Prior year under provision	376 860	371 654
Other	(898 098)	(183 683)
Income tax expense	6 055 324	3 737 979
Effective rate	21%	15%

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

31 RELATED PARTY TRANSACTIONS

The Group has related party relationships with its shareholders who own, directly or indirectly, 10% or more of its share capital or those shareholders who control in any manner, the election of the majority of the Directors of the Company or have the power to exercise controlling influence over the management or financial and operating policies of the Group. The Group carried out banking and investments related transactions with various companies related to its shareholders, all of which were undertaken in compliance with the relevant banking regulations. The following is a list of related parties to the Group and transactions with them:

Key management

Name	Position
John Mushayavanhu	Group Chief Executive
Trynos Kufazvinei	Group Finance Director
Kleto Chiketsani	Managing Director (FBC Reinsurance Limited)
Webster Rusere	Managing Director (FBC Bank Limited)
Felix Gwandekwande	Managing Director (FBC Building Society)
Tichaona Mabeza	Group Company Secretary
Benson Gasura	Managing Director (FBC Securities (Private) Limited)
Musa Bako	Managing Director (FBC Insurance Company Limited)
Patrick Mangwendeza	Managing Director (Microplan Financial Services (Private) Limited)
Israel Murefu	Divisional Director Human Resources
Barnabas Vera	Divisional Director Internal Audit

The following are companies and a trust related to directors, key management and the Group:

Arena Investments (Private) Limited (owned by FBC Holdings Limited board member)
 Cotition Investments (Private) Limited (owned by FBC Bank Limited board member)
 Dinkrain Investments (Private) Limited (owned by FBC Bank Limited board member)
 Tirent Investments (Private) Limited (owned by FBC Bank Limited board member)
 Fleetwood Investments (Private) Limited (owned by FBC Holdings Limited board member)
 Defined Wear (PBC) (Private) Limited (owned by FBC Building Society board member)
 Codchem (Private) Limited (owned by FBC Building Society board member)
 J Med Supplies (Private) Limited (owned by FBC Building Society board member)
 Altiwave Investments (Private) Limited (related to FBC Bank Limited)
 Country Sky Investments (related to FBC Bank Limited board member)
 Pachiro Family Trust (related to FBC Bank Limited board member)

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

Below are the companies related to directors, key senior management and Group and their loan balances as at 31 December 2017.

	31-Dec-17 US\$	31-Dec-16 US\$
Arena Investments (Private) Limited	172 874	209 762
Defined Wear (PBC) (Private) Limited	44 047	54 865
Country Sky Investments	220 000	-
Pachiro Family Trust	110 451	-
	547 372	264 627
Loans and advances to non executive directors		
Balance as at 1 January	211 374	240 172
Advances during the year	-	-
Transfer to ordinary loans after director resignation	-	-
Interest charged	18 568	34 449
Repayments made during the year	(121 116)	(63 247)
	108 826	211 374
Loans and advances to executive directors		
Balance as at 1 January	520 297	625 095
Advances during the year	518 950	179 600
Interest charged	115 513	67 099
Repayments made during the year	(378 850)	(351 497)
	775 910	520 297
Loans and advances to directors and officers of the Group have, along with other loans and advances, been subjected to impairment procedures.		
Compensation for executive directors and key management		
Short term employee benefits	6 897 320	6 067 267
Post- employment benefits	243 008	227 990
	7 140 328	6 295 257
Income from loans to executive directors		
Income from loans to executive directors	115 513	67 099
Income from loans to non-executive directors		
Income from loans to non-executive directors	18 568	34 449

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

Group entities	Equity interest 2017	Equity interest 2016
FBC Bank Limited	100%	100%
FBC Building Society	100%	100%
FBC Reinsurance Limited	100%	100%
FBC Securities (Private) Limited	100%	100%
Microplan Financial Services (Private) Limited	100%	100%
FBC Insurance Company (Private) Limited	95.4%	95.4%
Turnall Holdings Limited, derecognised as a subsidiary on 17 October 2014	5.2%	5.2%

Other related party transactions

Other related party transactions include contributions to FBC Holdings Limited Pension Fund, a self administered post employment benefit fund. Details of these transactions are disclosed in note 40.

32 PRINCIPAL SUBSIDIARIES

The Group had the following subsidiaries at 31 December 2017

Group and Company	Proportion of ordinary shares directly held by the parent (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interests (%)
Name			
FBC Bank Limited	100	100	-
FBC Building Society	100	100	-
FBC Reinsurance Limited	100	100	-
FBC Securities (Private) Limited	100	100	-
FBC Insurance Company (Private) Limited	72	95	5
Microplan Financial Services (Private) Limited	100	100	-

All subsidiaries were incorporated in Zimbabwe, which is also their place of business.

FBC Reinsurance Limited holds 23% of FBC Insurance Company (Private) Limited which was acquired from external parties. All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company do not differ from the proportion of ordinary shares held.

The total non-controlling interest for the period is US\$ 332 548 and it is attributed to FBC Insurance Company (Private) Limited.

Significant restrictions

There are no material restrictions with regards to any of the subsidiaries' ability to access or use assets, and settle liabilities of the Group.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

33 EARNINGS PER SHARE

33.1 Basic earnings

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of shares in issue excluding ordinary shares purchased by the Company and held as treasury shares.

	31-Dec-17 US\$	31-Dec-16 US\$
Profit attributable to equity holders of the parent	23 197 279	21 885 495
Total	23 197 279	21 885 495
Basic earnings per share		
Basic earnings per share for continuing operations (US cents)	3.62	3.40
	3.62	3.40

Year ended 31 December 2017

	Shares issued	Treasury shares	Shares outstanding	Weighted
Weighted average number of ordinary shares				
Issued ordinary shares as at 1 January 2017	671 949 927	(31 827 282)	640 122 645	640 122 645
Treasury shares purchased	-	-	-	-
Weighted average number of ordinary shares as at 31 December 2017	671 949 927	(31 827 282)	640 122 645	640 122 645

Year ended 31 December 2016

Weighted average number of ordinary shares				
Issued ordinary shares as at 1 January 2016	671 949 927	(11 304 203)	660 645 724	660 645 724
Treasury shares purchased	-	(20 523 079)	(20 523 079)	(16 782 946)
Weighted average number of ordinary shares as at 31 December 2016	671 949 927	(31 827 282)	640 122 645	643 862 778

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

33.2 Diluted earnings

Diluted earnings per share is calculated after adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company does not have dilutive ordinary shares.

	31-Dec-17 US\$	31-Dec-16 US\$
Earnings		
Profit attributable to equity holders of the parent	23 197 279	21 885 495
Total	23 197 279	21 885 495
Weighted average number of ordinary shares at 31 December	640 122 645	643 862 778
Diluted earnings per share		
Diluted earnings per share for continuing operations (US cents)	3.62	3.40
	3.62	3.40

33.3 Headline earnings per share

Headline earnings is calculated by starting with the basic earnings number and then excluding the following re-measurements;

- Gains/losses on the loss of control of a subsidiary
- Impairment/subsequent reversal of impairment of all assets
- Disposal gains/losses of all assets
- Compensation from third parties for assets that were impaired or lost
- The reclassification of all other remeasurements from other comprehensive income to profit or loss
- The reclassification of gains and losses on available-for-sale financial assets upon impairment or disposal and subsequent impairment losses
- The post-tax gain or loss on the disposal of assets or a disposal group constituting discontinued operations

	31-Dec-17 US\$	31-Dec-16 US\$
Profit attributable to equity holders	23 197 279	21 885 495
Adjusted for excluded remeasurements		
Profit from the disposal of property and equipment (note 26)	(14 326)	(34 562)
Impairment on assets (note 12 & 13)	26 261	1 337
Headline earnings	23 209 214	21 852 270
Weighted average number of ordinary shares at 31 December	640 122 645	643 862 778
Headline earnings per share (US cents)	3.63	3.39

34 FINANCIAL RISK MANAGEMENT

The Group has a defined risk appetite that is set by the Board and it outlines the amount of risk that business is prepared to take in pursuit of its objectives and it plays a pivotal role in the development of risk management plans and policies. The Group regularly reviews its policies and systems to reflect changes in markets, products, regulations and best market practice. The policies specifically cover foreign exchange risk, liquidity risk, interest rate risk, credit risk and the general use of financial instruments. Group Risk and Compliance, Group Internal audit review from time to time the integrity of the risk control systems in place and ensure that risk policies and strategies are effectively implemented within the Group. The Group's risk management strategies and plans are aimed at achieving an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

The Group's activities and operations results in exposure to the following risks:

- (a) Credit risk
- (b) Market risk
 - (b.i) Interest rate risk,
 - (b.ii) Currency risk, and
 - (b.iii) Price risk
- (c) Liquidity risk
- (d) Settlement risk
- (e) Operational risk
- (f) Capital risk

Other risks:

- g) Reputational risk
- h) Compliance risk
- i) Strategic risk

The Group controls these risks by diversifying its exposures and activities among products, clients, and by limiting its positions in various instruments and investments.

34.1 Credit risk

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet their obligations as and when they fall due. Credit risk arises from lending, trading, insurance products and investment activities and products. Credit risk and exposure to losses are inherent parts of the Group's business.

The Group manages, limits and controls concentrations of credit risk in respect of individual counterparties and groups. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one counterparty or group or counterparties and to geographical and industry segments. Such risks are monitored on a revolving basis and are subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product and industry sector are approved by the Board of Directors of the subsidiary companies.

The Board Credit Committees of the Bank, Microplan and the Building Society periodically review and approve the Group's policies and procedures to define, measure and monitor the credit and settlement risks arising from the Group's lending and investment activities. Limits are established to control these risks. Any facility exceeding established limits of the subsidiary's Management Credit Committee must then be approved by the subsidiary Board Credit Committee. The Group Credit Management Division evaluates the credit exposures and assures ongoing credit quality by reviewing individual credit and concentration and monitoring of corrective action.

The Group Credit Division periodically prepares detailed reports on the quality of the customers for review by the Board Loans Review Committees of the subsidiary companies and assess the adequacy of the impairment allowance. Any loan or portion thereof which is classified as a 'loss' is written off. To maintain an adequate allowance for credit losses, the Group generally provides for a loan or a portion thereof, when a loss is probable.

Credit policies, procedures and limits

The Group has sound and well-defined policies, procedures and limits which are reviewed at least once every year and approved by the Board of Directors of the subsidiary companies and strictly implemented by management. Credit risk limits include delegated approval and write-off limits to Credit Managers, Management, Board Credit Committees and the Board. In addition there are counterparty limits, individual account limits, Group limits and concentration limits.

Credit risk mitigation and hedging

As part of the Group's credit risk mitigation and hedging strategy, various types of collateral are taken by the banking subsidiaries. These include mortgage bonds over residential, commercial and industrial properties, cession of book debts and the underlying moveable assets financed. In addition, a guarantee is often required particularly in support of a credit facility granted to counterparty. Generally, guarantor counterparties include parent companies and shareholders. Creditworthiness for the guarantor is established in line with the credit policy.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

Credit risk stress testing

The Group recognises the possible events or future changes that could have a negative impact on the credit portfolios which could affect the Group's ability to generate more business. To mitigate this risk, the Group has put in place a stress testing framework that guides the Group's banking subsidiaries in conducting credit stress tests.

Impairments

An allowance for loan impairment is established if there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms of loans. The amount of the allowance is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of loans.

Credit terms:

Default

This is failure by a borrower to comply with the terms and conditions of a loan facility as set out in the facility offer letter or loan contract. Default occurs when a debtor is either unwilling or unable to repay a loan.

Past due loans

These are loans in which the debtor is in default by exceeding the loan tenure or expiry date as expressly set out in the loan contract i.e. the debtor fails to repay the loan by a specific given date. Impaired loans.

The Group's policy regarding impaired/doubtful loans is that all loans where the degree of default becomes extensive such that the Group no longer has reasonable assurance of collection of the full outstanding amount of principal and interest; all such loans are classified in the categories 8, 9 and 10 under the Basel II ten tier grading system.

Provisioning policy and write offs

Determination of general and specific provisions

The Group complies with the following Reserve Bank of Zimbabwe provisioning requirements:

Rating	Descriptive classification	Risk level	Level of allowance	Old five grade/ tier system	2012 Grading and level of allowance	Type of allowance
1	Prime grade	Insignificant	1%	Pass	A (1%)	General
2	Strong	Modest	1%			
3	Satisfactory	Average	2%			
4	Moderate	Acceptable	3%	Special Mention	B (3%)	
5	Fair	Acceptable with care	4%			
6	Speculative	Management attention	5%			
7	Speculative	Special mention	10%			
8	Substandard	Vulnerable	20%	Substandard	C (20%)	Specific
9	Doubtful	High default	50%	Doubtful	D (50%)	
10	Loss	Bankrupt	100%	Loss	E (100%)	

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

General allowance for impairment

Prime to highly speculative grades “1 to 7”

General allowance for impairment for facilities in this category are maintained at the percentage (detailed in table above) of total customer account outstanding balances and off balance sheet (i.e. contingent) risks.

Specific allowance for impairment

Sub-standard to loss grades “8 to 10” - Timely repayment and/or settlement may be at risk. Specific allowance for impairment for facilities in this category are currently maintained at the percentages (detailed above) of total customer outstanding balances and off balance sheet (i.e. contingent) risks less the value of tangible security held.

The basis for writing off assets

When an advance which has been identified as impaired and subjected to a specific allowance for impairment, continues to deteriorate, a point will come when it may be concluded that there is no realistic prospect of recovery. Board approval will be sought by Group Credit Management Division for the exposure to be immediately written off from the Group’s books while long term recovery strategies are then pursued.

Credit risk and Basel II

The Group applied Credit Risk Basel II standards in line with the regulatory authorities’ approach. Internal processes have been revamped to comply with the requirements. Policies and procedure manuals have been realigned to comply with the minimum requirements of Basel II.

34.1.1 Exposure to credit risk

Loans and advances

Past due and impaired

Grade 8: Impaired

Grade 9: Impaired

Grade 10: Impaired

Gross amount, past due and impaired

Allowance for impairment

Carrying amount, past due and impaired

Past due but not impaired

Grade 4 - 7:

Neither past due nor impaired

Grade 1 - 3:

Gross amount, not impaired

Allowance for impairment

Carrying amount, not impaired

Total carrying amount

Loans and advances neither past due nor impaired

Loans and advances neither past due nor impaired and which are not part of renegotiated loans are considered to be within the grade 1 to 3 category. Past due loans and advances are those whose repayments (capital and interests) are outstanding for more than 30 days.

	31-Dec-17 US\$	31-Dec-16 US\$
	2 760 715	2 963 709
	1 558 327	3 660 486
	10 189 116	8 563 809
	14 508 158	15 188 004
	(4 668 896)	(9 611 586)
	9 839 262	5 576 418
	67 977 013	83 193 322
	233 499 462	197 253 687
	301 476 475	280 447 009
	(10 568 932)	(9 488 614)
	290 907 543	270 958 395
	300 746 805	276 534 813

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

Loans and advances past due but not impaired

Late processing and other administrative delays on the side of the borrower can lead to a financial asset being past due but not impaired. Loans and advances less than 90 days past due are not considered impaired, unless other information is available to indicate the contrary.

	Personal loans US\$	Corporate loans US\$	Mortgages US\$	Total US\$
As at 31 December 2017				
Past due up to 1 month	2 090 877	22 561 930	-	24 652 807
Past due 1-3 months	4 365 501	5 178 734	6 004 828	15 549 063
Past due 3-6 months	1 612 539	26 162 604	-	27 775 143
Past due 6 - 12 months	-	-	-	-
Over 12 months	-	-	-	-
Total	8 068 917	53 903 268	6 004 828	67 977 013
Value of collateral	561 035	67 422 709	10 001 361	77 985 105
Amount of (under)/over collateralisation	(7 507 882)	13 519 441	3 996 533	10 008 092
As at 31 December 2016				
Past due up to 1 month	3 526 103	36 188 625	493 961	40 208 689
Past due 1-3 months	3 518 007	21 252 143	8 995 960	33 766 110
Past due 3-6 months	697 122	8 420 824	445	9 118 391
Past due 6-12 months	27 394	-	462	27 856
Over 12 months	71 196	-	1 080	72 276
Total	7 839 822	65 861 592	9 491 908	83 193 322
Value of collateral	561 035	67 387 709	9 982 361	77 931 105
Amount of (under)/over collateralisation	(7 278 787)	1 526 117	490 453	(5 262 217)

Loans and advances past due and impaired

The individually impaired loans and advances to customers before taking into consideration the cash flows from collateral held is US\$14 508 158 (2016: US\$15 188 004) The breakdown of the fair value of related collateral held by the Group as security, are as follows;

	Personal loans US\$	Corporate loans US\$	Total US\$
As at 31 December 2017			
Gross carrying amount	5 252 413	9 255 745	14 508 158
Less allowance for impairment	(2 184 357)	(2 484 539)	(4 668 896)
Net carrying amount	3 068 056	6 771 206	9 839 262
Value of collateral	3 285 366	12 248 408	15 533 774
As at 31 December 2016			
Gross carrying amount	8 560 583	6 627 421	15 188 004
Less allowance for impairment	(7 392 526)	(2 219 060)	(9 611 586)
Net carrying amount	1 168 057	4 408 361	5 576 418
Value of collateral	2 228 242	4 088 000	6 316 242

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

Loans and advances renegotiated

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Restructuring policies and practices are based on indicators or criteria that, in the judgement of management, indicate that payment will most likely continue. These loans are kept under continuous review.

	31-Dec-17 US\$	31-Dec-16 US\$
Renegotiated loans and advances to customers		
- Continuing to be impaired after restructuring	-	-
- Non-impaired after restructuring - would otherwise have been impaired	707 717	12 708 304
- Non-impaired after restructuring - would otherwise not have been impaired	-	-
Total	707 717	12 708 304

Repossessed collateral

During the year ended 31 December 2017 the Group repossessed collateral valued at US\$ 3 232 803 (2016 - US\$3 492 814).

Sectorial analysis of utilizations of loans and advances to customers

	2017 US\$	%	2016 US\$	%
Mining	16 254 223	5%	15 242 921	5%
Manufacturing	28 795 445	9%	54 380 168	18%
Mortgages	65 690 096	21%	48 267 804	16%
Wholesale	24 593 787	8%	13 034 556	4%
Distribution	13 504 839	4%	26 452 316	9%
Individuals	103 827 037	33%	82 283 624	29%
Agriculture	9 365 776	3%	23 929 185	8%
Communication	3 228 819	1%	8 689 704	3%
Construction	10 057 183	3%	4 344 851	1%
Local authorities	11 938 629	4%	10 862 130	4%
Other services	28 728 800	9%	8 147 754	3%
	315 984 634	100%	295 635 013	100%

Risk concentrations

There are material concentrations of loans and advances to the following sectors; individuals 33% (2016: 29%), manufacturing 9% (2016: 18%), other services 9% (2016: 3%) and mortgages 21% (2016: 16%).

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

Analysis of credit quality by sector - loans and advances to customers As at 31 December 2017

Sector	Grades 1 to 3 US\$	Grades 4 to 7 US\$	Grade 8 US\$	Grade 9 US\$	Grade 10 US\$	Total US\$
Manufacturing	4 886 415	18 755 301	-	-	5 153 729	28 795 445
Wholesale	19 025 263	5 568 524	-	-	-	24 593 787
Individuals	95 636 709	6 661 582	818 796	241 776	468 174	103 827 037
Mortgages	56 086 281	5 880 148	600 550	1 264 408	1 858 709	65 690 096
Agriculture	2 815 934	6 509 368	32 256	5 796	2 422	9 365 776
Distribution	5 776 164	4 823 485	161 425	42 791	2 700 974	13 504 839
Construction	9 747 145	309 994	-	-	44	10 057 183
Communication	-	3 228 819	-	-	-	3 228 819
Local Authorities	11 459 860	-	478 769	-	-	11 938 629
Mining	9 042 018	7 211 812	-	393	-	16 254 223
Other services	19 023 673	9 027 981	668 919	3 163	5 064	28 728 800
	233 499 462	67 977 014	2 760 715	1 558 327	10 189 116	315 984 634

Percentage of total loans	74%	21%	1%	1%	3%	100%
---------------------------	-----	-----	----	----	----	------

As at 31 December 2016

Sector	Grades 1 to 3 US\$	Grades 4 to 7 US\$	Grade 8 US\$	Grade 9 US\$	Grade 10 US\$	Total US\$
Manufacturing	23 286 219	30 989 155	54 845	-	49 949	54 380 168
Wholesale	6 543 127	6 491 429	-	-	-	13 034 556
Individuals	66 086 723	7 458 517	1 505 014	1 504 140	5 729 230	82 283 624
Mortgages	36 105 666	9 491 911	366 526	513 136	1 790 565	48 267 804
Agriculture	18 343 220	5 106 211	186 491	220 651	72 612	23 929 185
Distribution	16 341 811	9 082 877	549 460	4 035	474 133	26 452 316
Construction	2 934 776	1 394 002	-	16 073	-	4 344 851
Communication	7 014 704	1 675 000	-	-	-	8 689 704
Local Authorities	10 500 130	362 000	-	-	-	10 862 130
Mining	5 767 152	8 074 188	-	1 389 501	12 080	15 242 921
Other services	4 330 159	3 068 032	301 373	12 950	435 240	8 147 754
	197 253 687	83 193 322	2 963 709	3 660 486	8 563 809	295 635 013

Percentage of total loans	67%	28%	1%	1%	3%	100%
---------------------------	-----	-----	----	----	----	------

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

Reconciliation of allowance for impairment for loans and advances

Allowances for impairment	31 December 2017			31 December 2016		
	Specific allowance US\$	Collective allowance US\$	Total US\$	Specific allowance US\$	Collective allowance US\$	Total US\$
Balance at 1 January	11 313 164	7 787 036	19 100 200	14 476 111	5 908 511	20 384 622
Increase in impairment allowance	4 669 908	1 947 727	6 617 635	5 900 908	1 973 859	7 874 767
Impairment reversal	-	-	-	(948 353)	(95 334)	(1 043 687)
Write off	(8 327 467)	-	(8 327 467)	(6 291 469)	-	(6 291 469)
Interest in suspense	(2 152 539)	-	(2 152 539)	(1 824 033)	-	(1 824 033)
	5 503 066	9 734 763	15 237 829	11 313 164	7 787 036	19 100 200

34.1.2 Trade and other receivables including insurance receivables

	31-Dec-17 US\$	31-Dec-16 US\$
Past due and impaired		
Allowance for impairment	438 223	147 470
Carrying amount	(413 400)	(147 470)
Past due but not impaired	24 823	-
Past due but not impaired	-	-
Neither past due nor impaired	9 614 837	9 120 237
Gross amount, not impaired	9 614 837	9 120 237
Allowance for impairment	-	-
Carrying amount, not impaired	9 614 837	9 120 237
Total carrying amount	9 639 660	9 120 237

As at 31 December 2017, trade receivables amounting to US\$nil (2017 : US\$nil) were past due but not impaired.

The aging analysis of these trade receivables is as follows;

Up to 3 months	-	-
3 to 6 months	-	-
	-	-

As at 31 December 2017 trade receivables amounting to US\$438 223 (2016: US\$147 470) were impaired.

The amount of the allowance was US\$413 400 as at 31 December 2017 (2016:US\$147 470). The individually impaired receivables mainly relate to lapsed insurance policies. It was assessed that a portion of the receivables is expected to be recovered. The ageing of these receivables is as follows:

Over 6 months	438 223	147 470
---------------	----------------	----------------

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

	31-Dec-17 US\$	31-Dec-16 US\$
Reconciliation of the allowance for impairment of trade receivables including insurance receivables		
Allowances for impairment		
Balance as at 1 January	147 470	513 742
Allowance for trade receivables including insurance receivables' impairment	265 930	-
Receivables written off during the year as uncollectable	-	(366 272)
Balance as at 31 December	413 400	147 470
The allowance amount of US\$ 413 400 (2016:US\$147 470) relates to insurance receivables in the Group's insurance subsidiaries.		
Maximum exposure to credit risk before collateral held or other credit enhancement		
Credit risk exposures relating to on-balance sheet assets are as follows;		
Loans and advances to customers;		
- Individuals	103 827 037	82 283 624
- Corporates	212 157 596	213 351 389
	315 984 633	295 635 013
Financial assets held to maturity	112 878 823	75 078 481
Balances with banks	175 773 678	177 329 187
Bonds and debentures	27 633 715	9 139 955
Commission receivable	-	1 711 043
Trade and other receivables including insurance receivables	10 053 060	9 267 707
Total on balance sheet	642 323 909	568 161 386
Off balance sheet credit exposure		
- Financial guarantees and letters of credit	8 002 919	5 966 488
- Loan commitments	14 299 312	13 378 399
Total off balance sheet credit exposure	22 302 231	19 344 887
Total credit exposure	664 626 140	587 506 273

The above table represents a worst case scenario of credit risk exposure to the Group as at 31 December 2017, without taking account of any collateral held or other credit enhancements attached. For on balance sheet assets, the exposures set out above are based on net carrying amounts as reported in the statement of financial position.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

Credit quality of balances with other banks		31-Dec-17	31-Dec-16
Counterparties with external credit rating		US\$	US\$
Rating	Agency		
Aa3	Moody's	20 140 568	-
A+	S&P	147 424	-
AA	Moody's	-	607 570
AA	Fitch	-	6 915
AA-	Fitch	-	23 453 231
AAA	Fitch	-	(135 328)
AAA	Moody's	-	441 756
Baa3	Fitch	65 128	-
B-	S&P	-	188 310
Baa1	Moody's	84 909	56 649
BB	S&P	639 817	-
BBB+	GCR	6 003 490	44 660 645
A-	GCR	10 676 405	12 500 000
A-1	S&P	2 796 389	-
		40 554 130	81 779 748

Balances with the Reserve Bank of Zimbabwe

Balances with the RBZ represent amounts in current accounts available for daily transactional use. As at the reporting date, the amount has been considered to be recoverable in full.

Write-off policy

The Group writes off an irrecoverable debt when the Board Credit Committee of the subsidiary determines that the debt is uncollectable. This determination is reached after considering information such as the occurrence of significant changes in the borrower/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balances and standardised loans, write off decisions are generally based on a product specific past due status. Exposure to credit risk is also managed through regular analysis of the ability of debtors to meet interest and capital payment obligations and by changes to these lending limits where appropriate.

34.2 Liquidity risk

Liquidity risk is the risk of not being able to generate sufficient cash to meet financial commitments to extend credit, meet deposit maturities, settle claims and other unexpected demands for cash. Liquidity risk arises when assets and liabilities have differing maturities.

Management of liquidity risk

The Group does not treat liquidity risk in isolation as it is often triggered by consequences of other financial risks such as credit risk and market risk. The Group's liquidity risk management framework is therefore designed to ensure that its subsidiaries have adequate liquidity to withstand any stressed conditions. To achieve this objective, the Board of Directors of the subsidiary companies through the Board Asset Liability Committees of the Bank, Microplan and the Building Society and their Board Risk and Compliance Committees is ultimately responsible for liquidity risk management. The responsibility for managing the daily funding requirements is delegated to the Heads of Treasury Divisions for banking entities and Finance Directors for non-banking entities with independent day to day monitoring being provided by Group Risk Management.

Liquidity and funding management

The Group's management of liquidity and funding is decentralised and each entity is required to fully adopt the liquidity policy approved by the Board with independent monitoring being provided by the Group Risk Management Department. The Group uses concentration risk limits to ensure that funding diversification is maintained across the products, counterparties and sectors. Major sources of funding are in the form of deposits across a spectrum of retail and wholesale clients for banking subsidiaries.

Cash flow and maturity profile analysis

The Group uses the cash flow and maturity mismatch analysis on both contractual and behavioural basis to assess their ability to meet immediate liquidity requirements and plan for their medium to long term liquidity profile.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

Liquidity contingency plans

In line with the Group's liquidity policy, liquidity contingency plans are in place for the subsidiaries in order to ensure a positive outcome in the event of a liquidity crisis. The plans clearly outline early warning indicators which are supported by clear and decisive crisis response strategies. The crisis response strategies are created around the relevant crisis management structures and address both specific and market crises.

Liquidity stress testing

It is the Group's policy that each entity conducts stress tests on a regular basis to ensure that they have adequate liquidity to withstand stressed conditions. In this regard, anticipated on-and-off balance sheet cash flows are subjected to a variety of specific and systemic stress scenarios during the period in an effort to evaluate the impact of unlikely events on liquidity positions.

The table below analyses the Group's financial assets and liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Contractual maturity analysis On balance sheet items as at 31 December 2017	Upto 3 months US\$	3 months to 1 year US\$	over 1 year US\$	Total US\$
Liabilities				
Deposits from customers	389 343 256	24 071 930	7 258 751	420 673 937
Deposits from other banks	70 756 358	15 973 549	2 000 000	88 729 907
Borrowings	3 151 514	6 484 712	4 944 783	14 581 009
Insurance liabilities	2 108 017	-	5 572 847	7 680 864
Current income tax liabilities	70 599	-	-	70 599
Trade and other liabilities	15 639 254	10 027 072	3 736 572	29 402 898
Total liabilities - (contractual maturity)	481 068 998	56 557 263	23 512 953	561 139 214
Assets held for managing liquidity risk (contractual maturity dates)				
Balances with banks and cash	181 002 565	-	-	181 002 565
Financial assets held to maturity	13 535 474	39 885 579	59 457 770	112 878 823
Loans and advances to customers	56 739 598	35 528 169	208 479 038	300 746 805
Bonds and debentures	-	18 500 000	9 133 715	27 633 715
Trade and other receivables including insurance receivables	1 349 461	8 290 199	-	9 639 660
Financial assets at fair value through profit or loss	472 060	1 807 269	85 996	2 365 325
Available for sale financial assets	835 710	-	-	835 710
Other assets	12 165 557	1 217 535	3 033 209	16 416 301
	266 100 425	105 228 751	280 189 728	651 518 904
Liquidity gap	(214 968 573)	48 671 488	256 676 775	90 379 690
Cumulative liquidity gap - on balance sheet	(214 968 573)	(166 297 085)	90 379 690	-
Off balance sheet items				
Liabilities				
Guarantees and letters of credit	-	8 002 919	-	8 002 919
Commitments to lend	14 299 312	-	-	14 299 312
Total liabilities	14 299 312	8 002 919	-	22 302 231
Liquidity gap	(14 299 312)	(8 002 919)	-	68 077 459
Cumulative liquidity gap - on and off balance sheet	(229 267 885)	(188 599 316)	68 077 459	-

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

Contractual maturity analysis On balance sheet items as at 31 December 2016	Up to 3 months US\$	3 months to 1 year US\$	Over 1 year US\$	Total US\$
Liabilities				
Deposits from customers	235 900 935	14 392 413	4 973 324	255 266 672
Deposits from other banks	111 789 264	3 061 558	-	114 850 822
Borrowings	10 903 911	61 946 096	12 533 928	85 383 935
Insurance liabilities	9 470 934	-	-	9 470 934
Current income tax liabilities	878 275	-	-	878 275
Trade and other liabilities	1 511 070	13 810 712	-	15 321 782
Total liabilities - (contractual maturity)	370 454 389	93 210 779	17 507 252	481 172 420
Assets held for managing liquidity risk (contractual maturity dates)				
Balances with banks and cash	184 244 019	-	-	184 244 019
Financial assets held to maturity	13 039 237	33 665 203	28 374 041	75 078 481
Loans and advances to customers	33 067 350	106 383 477	137 083 986	276 534 813
Bonds and debentures	-	-	9 139 955	9 139 955
Trade and other receivables including insurance receivables	1 280 318	7 839 919	-	9 120 237
Financial assets at fair value through profit or loss	140 281	961 892	-	1 102 173
Available for sale financial assets	862 886	-	-	862 886
Other assets	926 055	5 160 770	1 756 043	7 842 868
	233 560 146	154 011 261	176 354 025	563 925 432
Liquidity gap	(136 894 243)	60 800 482	158 846 773	82 753 012
Cumulative liquidity gap - on balance sheet	(136 894 243)	(76 093 761)	82 753 012	-
Off balance sheet items				
Liabilities				
Guarantees and letters of credit	-	5 966 488	-	5 966 488
Commitments to lend	13 378 399	-	-	13 378 399
Total liabilities	13 378 399	5 966 488	-	19 344 887
Liquidity gap	(13 378 399)	(5 966 488)	-	63 408 125
Cumulative liquidity gap - on and off balance sheet	(150 272 642)	(95 438 648)	63 408 125	-

The Group determines ideal weights for maturity buckets which are used to benchmark the actual maturity profile. Maturity mismatches across the time buckets are managed through the tenor of new advances and the profile of time deposits.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

Management of liquidity gap on short-term maturities

The cash flows presented above reflect the cash flows that will be contractually payable over the residual maturity of the instruments. In practice, however, certain liability instruments behave differently from their contractual terms and typically, for short-term customer accounts, extend to a longer period than their contractual maturity. The Group therefore seeks to manage its liabilities both on a contractual and behavioural basis. The Group prescribes various liquidity stress scenarios as part of stress testing that include accelerated withdrawal of deposits over a period of time and prescribed measures are in place to ensure that cash inflows exceed outflows under such scenarios.

34.3 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. The market risk for the trading portfolio is managed and monitored based on a collection of risk management methodologies to assess market risk including Value-at-Risk ("VaR") methodology that reflects the interdependency between risk variables, stress testing, loss triggers and traditional risk management measures. Non-trading positions are managed and monitored using other sensitivity analysis. The market risk for the non-trading portfolio is managed as detailed in notes 34.3.1 to 34.3.3.

34.3.1 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The interest rate risk profile is assessed regularly based on the fundamental trends in interest rates, economic developments and technical analysis. The Group's policy is to monitor positions on a daily basis to ensure positions are maintained within the established limits.

Interest rate risk exposure stems from assets and liabilities maturing or being repriced at different times. For example:

- i) Liabilities may mature before assets, necessitating the rollover of such liabilities until sufficient quantity of assets mature to repay the liabilities. The risk lies in that interest rates may rise and that expensive funds may have to be used to fund assets that are yielding lower returns.
- ii) Assets may mature before liabilities do, in which case they have to be reinvested until they are needed to repay the liabilities. If interest rates fall the re-investment may be made at rates below those being paid on the liabilities waiting to be retired. This risk is managed by ALCO through the analysis of interest rate sensitive assets and liabilities, using such models as Value at Risk ("VAR"), Scenario Analysis and control and management of the gap analysis.

Scenario analysis of net interest income

The Group's trading book is affected by interest rate movements on net interest income. The desired interest rate risk profile is achieved through effective management of the statement of financial position composition. When analyzing the impact of a shift in the yield curve on the Group's interest income, the Group recognizes that the sensitivity of changes in the interest rate environment varies by asset and liability class. Scenarios are defined by the magnitude of the yield curve shift assumed. Analysis of the various scenarios is then conducted to give an appreciation of the distribution of future net interest income and economic value of equity as well as their respective expected values. A 5% fluctuation is used based on past experiences.

Scenario:

	Impact on earnings as at 31 December			
	2017 US\$	US\$	2016 US\$	US\$
5% increase in interest rates				
Assets	459 290 185	3 736 856	411 807 126	3 508 858
Liabilities	259 770 786	(487 014)	318 771 063	(776 888)
Net effect		3 249 842		2 731 970

In calculating the sensitivity, shocks are defined in terms of simple interest rate. The analysis assumes a static portfolio, that there will be no defaults, prepayments or early withdrawals and the analysis is limited to a 30 day period.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

34.3.1 Interest Rate Risk (continued)

INTEREST RATE REPRICING AND GAP ANALYSIS

Total position as at 31 December 2017	0 - 30 days US\$	31 - 90 days US\$	91-180 days US\$	181-365 days US\$	Over 365 days US\$	Non-interest bearing US\$	Total US\$
Assets							
Balances with other banks and cash	7 220 871	10 809 971	-	-	-	162 971 723	181 002 565
Financial assets held to maturity	7 247 917	4 451 986	12 950 858	28 770 292	59 457 770	-	112 878 823
Loans and advances to customers	64 594 969	3 615 851	9 126 503	64 612 900	158 796 582	-	300 746 805
Trade and other receivables including insurance receivables	-	-	-	-	-	9 639 660	9 639 660
Bonds and debentures	-	-	-	18 500 000	9 133 715	-	27 633 715
Financial assets at fair value	-	-	-	-	-	2 365 325	2 365 325
Available for sale financial assets	-	-	-	-	-	835 710	835 710
Inventory	-	-	-	-	-	6 523 937	6 523 937
Prepayments and other assets	-	-	-	-	-	23 684 304	23 684 304
Current income tax asset	-	-	-	-	-	655 613	655 613
Deferred income tax assets	-	-	-	-	-	7 586 301	7 586 301
Investment property	-	-	-	-	-	8 184 400	8 184 400
Intangible assets	-	-	-	-	-	1 851 136	1 851 136
Property and equipment	-	-	-	-	-	28 849 191	28 849 191
Total assets	79 063 757	18 877 808	22 077 361	111 883 192	227 388 067	253 147 300	712 437 485
Liabilities							
Deposits from customers	65 021 817	65 216 123	17 227 206	6 844 724	2 150 000	264 214 067	420 673 937
Deposits from other banks	43 604 028	17 468 861	9 683 469	15 973 549	2 000 000	-	88 729 907
Borrowings	5 549 066	-	200 000	5 930 167	2 901 776	-	14 581 009
Insurance liabilities	-	-	-	-	-	7 680 864	7 680 864
Trade and other payables	-	-	-	-	-	35 311 178	35 311 178
Current income tax liabilities	-	-	-	-	-	70 599	70 599
Deferred income tax liabilities	-	-	-	-	-	834 055	834 055
Shareholder equity	-	-	-	-	-	144 555 936	144 555 936
Total liabilities	114 174 911	82 684 984	27 110 675	28 748 440	7 051 776	452 666 699	712 437 485
Interest rate repricing gap	(35 111 154)	(63 807 176)	(5 033 314)	83 134 752	220 336 291	(199 519 399)	-
Cumulative gap interest rate repricing gap	(35 111 154)	(98 918 330)	(103 951 644)	(20 816 892)	199 519 399	-	-

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

34.3.1 Interest Rate Risk (continued)

INTEREST RATE REPRICING AND GAP ANALYSIS

Total position as at 31 December 2016

	0 - 30 days US\$	31 - 90 days US\$	91-180 days US\$	181-365 days US\$	Over 365 days US\$	Non-interest bearing US\$	Total US\$
Assets							
Balances with other banks and cash	31 817 533	19 236 344	-	-	-	133 190 142	184 244 019
Financial assets held to maturity	-	11 156 043	12 585 512	21 079 691	30 257 235	-	75 078 481
Loans and advances to customers	54 314 225	23 507 091	22 024 039	71 705 767	104 983 691	-	276 534 813
Trade and other receivables including insurance receivables	-	-	-	-	-	9 120 237	9 120 237
Bonds and debentures	-	-	-	-	9 139 955	-	9 139 955
Financial assets at fair value	-	-	-	-	-	1 102 173	1 102 173
Available for sale financial assets	-	-	-	-	-	862 886	862 886
Inventory	-	-	-	-	-	5 171 336	5 171 336
Prepayments and other assets	-	-	-	-	-	10 054 693	10 054 693
Current income tax asset	-	-	-	-	-	-	-
Deferred income tax assets	-	-	-	-	-	8 145 597	8 145 597
Investment property	-	-	-	-	-	3 710 457	3 710 457
Intangible assets	-	-	-	-	-	1 890 026	1 890 026
Property and equipment	-	-	-	-	-	25 090 044	25 090 044
Total assets	86 131 758	53 899 478	34 609 551	92 785 458	144 380 881	198 337 591	610 144 717
Liabilities							
Deposits from customers	71 391 480	25 220 192	8 195 230	13 619 979	109 425	136 730 366	255 266 672
Deposits from other banks	81 382 198	26 469 177	3 937 889	3 061 558	-	-	114 850 822
Borrowings	3 792 384	10 100 000	100 000	61 501 730	9 889 821	-	85 383 935
Insurance liabilities	-	-	-	-	-	9 470 934	9 470 934
Trade and other payables	-	-	-	-	-	19 809 097	19 809 097
Current income tax liabilities	-	-	-	-	-	878 275	878 275
Deferred income tax liabilities	-	-	-	-	-	772 386	772 386
Shareholder equity	-	-	-	-	-	123 712 596	123 712 596
Total liabilities	156 566 062	61 789 369	12 233 119	78 183 267	9 999 246	291 373 654	610 144 717
Interest rate repricing gap	(70 434 304)	(7 889 891)	22 376 432	14 602 191	134 381 635	(93 036 063)	-
Cumulative gap interest rate repricing gap	(70 434 304)	(78 324 195)	(55 947 763)	(41 345 572)	93 036 063	-	-

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

34.3.2 Currency risk

The Group operates locally and the majority of its customers transact in US\$, the functional currency of the Group and its subsidiaries. The Group is exposed to various currency exposures primarily with respect to the South African rand, Botswana pula, British pound and the Euro, mainly due to the cash holding and switch transactions in the banking subsidiary.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities. This is the risk from movement in the relative rates of exchange between currencies. The risk is controlled through control of open position as per ALCO directives, Reserve Bank of Zimbabwe requirements and analysis of the market. The Group manages this risk through monitoring long and short positions and assessing the likely impact of forecast movements in exchange rates on the Group's profitability.

The table below indicates the extend to which the Group was exposed to currency risk.

Foreign exchange gap analysis as at 31 December 2017

Base currency	ZAR US\$ equivalent	EUR US\$ equivalent	BWP US\$ equivalent	GBP US\$ equivalent	TOTAL US\$ equivalent
Assets					
Balances with other banks and cash	1 202 340	197 203	159 132	2 845 405	4 404 080
Trade and other receivables	4 782	20	16	-	4 818
Loans and advances to customers	2 912	157	173	11	3 253
Total assets	1 210 034	197 380	159 321	2 845 416	4 412 151
Liabilities					
Deposits from customers	775 419	146 742	10 550	39 170	971 881
Trade and other payables	13 804	8 272	49	94	22 219
Total liabilities	789 223	155 014	10 599	39 264	994 100
Net currency position	420 811	42 366	148 722	2 806 152	3 418 051

Foreign exchange gap analysis as at 31 December 2016

Assets					
Balances with other banks and cash	1 437 410	454 723	310 033	190 736	2 392 902
Trade and other receivables	4 176	2	14	19	4 211
Loans and advances to customers	58 099	37	199	62	58 397
Total assets	1 499 685	454 762	310 246	190 817	2 455 510
Liabilities					
Deposits from customers	1 144 782	62 083	51 469	59 010	1 317 344
Trade and other payables	4 839	249 275	43	85	254 242
Total liabilities	1 149 621	311 358	51 512	59 095	1 571 586
Net currency position	350 064	143 404	258 734	131 722	883 924

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

Below are major cross rates to the US\$ used by the Group as at 31 December:

Currency	31-Dec-17 Cross rate	31-Dec-16 Cross rate
British pound ("GBP")	0.740	0.814
SA rand ("ZAR")	12.303	13.605
Euro ("EUR")	0.833	0.948
Pula ("BWP")	9.823	10.684

The table below summarises the impact of increases or decreases of exchange rates on the Group's post-tax profit for the year. The analysis is based on the assumption that the exchange rates have increased or decreased by 10% based on past experiences with all other variables held constant.

	ZAR US\$	EUR US\$	BWP US\$	GBP US\$	TOTAL US\$
Impact of 10% increase in exchange rates:					
For the year ended 31 December 2017					
Assets	121 003	19 738	15 932	284 542	441 215
Liabilities	(78 922)	(15 501)	(1 060)	(3 926)	(99 409)
Net position	42 081	4 237	14 872	280 616	341 806
For the year ended 31 December 2016					
Assets	149 969	45 476	31 025	19 082	245 552
Liabilities	(114 962)	(31 136)	(5 151)	(5 910)	(157 159)
Net position	35 007	14 340	25 874	13 172	88 393

34.3.3 Price risk

The Group is exposed to equity price risk because of investments held by the Group and classified on the consolidated statement of financial position as at fair value through profit or loss and available for sale financial assets. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio.

The table below summarises the impact of increases or decreases of the Zimbabwe Stock Exchange ("ZSE") on the Group's total comprehensive income for the year. The analysis is based on the assumption that the equity index has increased or decreased by 25% based on past experiences with all other variables held constant and the Group's equity instruments moved according to the historical correlation with the index.

Impact of 25% equity index:	31-Dec-17 US\$	31-Dec-16 US\$
Financial assets at fair value through profit or loss	591 331	275 543
Available for sale financial assets	208 928	215 722

34.4 Settlement risk

The Group's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of a counterparty to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions the Group mitigates this risk by conducting settlements through a settlement/clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit approval / limit monitoring process. Acceptance of settlement risk on free settlement trades requires transaction specific or counterparty specific approvals from Group Risk.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

34.5 Capital risk

34.5.1 Regulatory Capital and Financial Risk Management

Capital risk refers to the risk of the Group's subsidiaries own capital resources being adversely affected by unfavourable external developments.

The Group's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:

- To comply with the capital requirements set by the regulators of the Group's subsidiaries;
- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its businesses.

Capital adequacy and the use of regulatory capital are monitored daily by the Group's management, employing techniques based on the guidelines developed by the Basel Committee as implemented by the Reserve Bank of Zimbabwe (the "RBZ"), for supervisory purposes for the banking subsidiaries. The required information is filed with the RBZ on a quarterly basis.

It is the intention of the Group to maintain a ratio of total regulatory capital to its risk-weighted assets (the "Capital Adequacy Ratio") above the minimum level set by the Reserve Bank of Zimbabwe which takes into account the risk profile of the Group.

The regulatory capital requirements are strictly observed when managing economic capital. The banking subsidiaries' regulatory capital is analysed into three tiers;

- Tier 1 capital, which includes ordinary share capital and premium, retained profits, non distributable reserves and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.
- Tier 2 capital, which includes qualifying subordinated liabilities, revaluation reserve, collective impairment allowances and the element of the fair value reserve relating to unrealised gains on equity instruments classified as available-for-sale.
- Tier 3 capital or market and operational risk capital includes market risk capital and operational risk capital. Operational risk includes legal risk. Market risk capital is allocated to the risk of losses in the on and off balance sheet position arising from movements in market prices.

Various limits are applied to elements of the capital base. The amount of capital qualifying for tier 2 capital cannot exceed tier 1 capital and the qualifying term subordinated loan capital may not exceed 50 percent of tier 1 capital. There are also restrictions on the amount of collective impairment allowances that may be included as part of tier 2 capital. Other deductions from capital include the carrying amounts of investments in subsidiaries that are not included in the regulatory consolidation, investment in the capital of other banks and certain other regulatory items. The Group's operations are categorised as either banking or trading book, and risk weighted assets are determined according to specified requirements that seek to reflect the varying levels or risk attached to assets and off balance sheet exposures.

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Overall, the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position. The Group and its individually regulated operations have always complied with all externally imposed capital requirements throughout the period.

The Securities Commission of Zimbabwe ("SECZ") sets and monitors capital requirements for the stockbroking subsidiary and the Insurance and Pensions Commission ("IPEC") sets and monitors capital requirements for the insurance subsidiaries. The following subsidiaries have their capital regulated by the regulatory authorities:

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

Company	Regulatory Authority	Minimum capital required US\$	Net regulatory capital US\$	Total equity US\$
As at 31 December 2017				
FBC Bank Limited	RBZ	25 000 000	75 188 472	77 936 562
FBC Building Society	RBZ	20 000 000	47 392 883	47 503 334
FBC Reinsurance Limited	IPEC	7 500 000	13 626 886	13 626 887
FBC Securities (Private) Limited	SECZ	150 000	1 054 128	1 054 129
FBC Insurance Company (Private) Limited	IPEC	2 500 000	7 367 424	7 367 425
Microplan Financial Services (Private) Limited	RBZ	25 000	9 542 669	9 542 669
As at 31 December 2016				
FBC Bank Limited	RBZ	25 000 000	63 506 925	65 066 009
FBC Building Society	RBZ	20 000 000	41 153 844	41 271 010
FBC Reinsurance Limited	IPEC	1 500 000	12 952 212	12 952 212
FBC Securities (Private) Limited	SECZ	150 000	622 937	622 937
Eagle Insurance Company (Private) Limited	IPEC	1 500 000	6 532 692	6 532 692
Microplan Financial Services (Private) Limited	RBZ	25 000	7 055 800	7 055 800
Capital adequacy ratios for banking subsidiaries		Regulatory Requirement	31-Dec-17	31-Dec-16
FBC Bank Limited		12%	18%	22%
FBC Building Society		12%	57%	47%

34.5.2 Capital allocation

The allocation of capital between specific operations is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each subsidiary is firstly premised on minimum regulatory requirements. The process of allocating capital to specific operations and subsidiaries is undertaken independently of those responsible for the operations. The Assets and Liability Committee ("ALCO") at the banking subsidiaries set the Assets and Liability Management ("ALM") policies which determine the eventual asset allocation dependent on desired risk return profiles based on ALCO forecasts on the different markets the Group participates in and economic fundamentals.

Group Risk monitors and ensures adherence to these policies as well as continuously measure the efficacy of these policies through ALCO and various other credit committees.

Although maximisation of the return on risk adjusted capital is the principal basis used in determining how capital is allocated within the Group to particular operations or activities, it is not the sole basis used for decision making. Account is also taken of synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the Group's longer term strategic objectives. The Group's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

Capital adequacy ratios	31-Dec-17 US\$	31-Dec-16 US\$
FBC Bank Limited capital adequacy ratio		
Ordinary share capital	18 502 313	18 502 313
Share premium	13 197 687	13 197 687
Retained profits	43 317 212	31 337 984
General reserve	-	-
Capital allocated for market and operational risk	(9 852 623)	(9 223 835)
Advances to insiders	(2 748 090)	(1 559 084)
Tier 1 capital	62 416 499	52 255 065
Other reserves	2 919 350	2 028 025
Tier 1 and 2 capital	65 335 849	54 283 090
Tier 3 capital allocated for market and operational risk	9 852 623	9 223 835
	75 188 472	63 506 925
Risk weighted assets	412 280 311	293 929 876
Tier 1 ratio (%)	15%	18%
Tier 2 ratio (%)	1%	1%
Tier 3 ratio (%)	2%	3%
Capital adequacy ratio (%)	18%	22%
Minimum Statutory Capital adequacy ratio	12%	12%
FBC Building Society capital adequacy ratio		
Share capital and share premium	11 266 599	11 266 599
Accumulated surplus	36 123 275	29 910 495
Capital allocated for market and operational risk	(1 953 645)	(1 765 937)
Advances to insiders	(110 451)	(117 165)
Tier 1 capital	45 325 778	39 293 992
Non distributable reserves	-	-
Revaluation reserves	113 460	93 915
Tier 1 and 2 capital	45 439 238	39 387 907
Tier 3 capital allocated for market and operational risk	1 953 645	1 765 937
	47 392 883	41 153 844
Risk weighted assets	82 513 703	87 333 634
Tier 1 ratio (%)	55%	45%
Tier 2 ratio (%)	0%	0%
Tier 3 ratio (%)	2%	2%
Capital adequacy ratio (%)	57%	47%
Minimum Statutory Capital adequacy ratio	12%	12%

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

35 FAIR VALUE OF ASSETS AND LIABILITIES

IFRS 13 'Fair value measurement' requires an entity to classify its assets and liabilities according to a hierarchy that reflects the observability of significant market inputs. Fair value is an estimate of the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The three levels of the fair value hierarchy are defined below.

Quoted market prices (level 1)

Assets and liabilities are classified as level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available, and the price represents actual and regularly occurring market transactions. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

Valuation technique using observable inputs (level 2)

Assets and liabilities classified as level 2 have been valued using models whose inputs are observable in an active market either directly (that is, as prices) or indirectly (that is, derived from prices).

Valuation technique using significant and unobservable inputs (Level 3)

Assets and liabilities are classified as level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). A valuation input is considered observable if it can be directly observed from transactions in an active market, or if there is compelling external evidence demonstrating an executable exit price.

The following table shows the Group's assets and liabilities that are held at fair value disaggregated by valuation technique (fair value hierarchy);

	Quoted market prices Level 1 US\$	Observable inputs Level 2 US\$	Significant unobservable inputs Level 3 US\$	Total US\$
As at 31 December 2017				
Assets				
Financial assets held to maturity	-	-	112 878 823	112 878 823
Financial assets at fair value through profit or loss	2 365 325	-	-	2 365 325
Available for sale financial assets	835 710	-	-	835 710
Investment property	-	-	8 184 400	8 184 400
Land and buildings	-	1 070 284	16 800 000	17 870 284
Liabilities	-	-	-	-
As at 31 December 2016				
Assets				
Financial assets held to maturity	-	-	75 078 481	75 078 481
Financial assets at fair value through profit or loss	1 102 173	-	-	1 102 173
Available for sale financial assets	862 886	-	-	862 886
Investment property	-	-	3 710 457	3 710 457
Land and buildings	-	988 100	15 689 656	16 677 756
Liabilities	-	-	-	-

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

Valuation techniques and sensitivity analysis

Sensitivity analysis is performed on valuations of assets and liabilities with significant unobservable inputs (level 3) to generate a range of reasonable possible alternative valuations. The sensitivity methodologies applied take account of the nature of valuation techniques used, as well as the availability and reliability of observable proxy and historical data and the impact of using alternative methods.

Land and buildings under level 3 comprises commercial and residential properties. Refer to property and equipment note 13.

Investment property

The valuation approach taken for investment property was a sales comparison approach being the market value of similar properties. In this approach, similar properties that had been recently sold or which are currently on sale and situated in comparable areas were utilised to derive the fair value. Market evidence from other estate agents and local press was also taken into consideration. The significant unobservable inputs were comparable rates per square meter.

Comparison of carrying amounts and fair values for assets and liabilities not held at fair value

The carrying amounts of financial assets and liabilities held at amortised cost approximate fair values. The following methods and assumptions were used to estimate the fair values;

Loans and advances to customers

The fair value of loans and advances to customers, for the purposes of this disclosure, is derived from discounting expected cash flows in a way that reflects the current market price for lending to issuers of similar credit quality. Gross loan values are discounted at a rate of the Group's contractual margins depending on credit quality and period to maturity. As such Group product margins are deemed significant inputs in the fair value models for the purposes of this disclosure, the related balances are classified as level 3 since the inputs are unobservable.

Trade and other receivables

The fair value of trade and other receivables, for the purposes of this disclosure, is calculated by the use of discounted cash flow techniques where the gross receivables are discounted at the Group's borrowing rate. Significant inputs in the valuation model are unobservable and are thus classified as level 3 for purposes of this disclosure.

Deposits from banks and amounts due to customers

The fair value disclosed approximates carrying value because the instruments are short term in nature. The deposits from banks and customers are classified as level 2. There are no deposits with long term maturities.

Borrowings

The fair value of current borrowings equals their carrying amount as the impact of discounting is not significant due to the market terms (rates and tenor) available. The fair value of the non current portion, for purposes of this disclosure are based on cash flows discounted using a rate based on the contractual borrowing rates which is an observable input. Therefore borrowings are within level 3 of the fair value hierarchy. The carrying amount equals the carrying amounts for borrowings with longer term maturities as the discount rate approximates the liabilities' effective interest rates.

Insurance liabilities and trade and other payables

The fair value disclosed approximates carrying value because the instruments are short term in nature.

Guarantees, acceptances and other financial facilities

The fair value disclosed approximates carrying value because the instruments are short term in nature.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

36 FINANCIAL INSTRUMENTS

Financial assets and liabilities

Accounting classifications and fair values

The table below sets out the Group's classification of each class of financial assets and liabilities

36.1 Position as at 31 December 2017

	Held to maturity US\$	Held for trading US\$	Available for sale US\$	Loans and receivables US\$	Financial liabilities at amortised cost US\$	Total carrying amount US\$
Assets						
Balances with other banks and cash	-	-	-	181 002 565	-	181 002 565
Financial assets held to maturity	112 878 823	-	-	-	-	112 878 823
Loans and advances to customers	-	-	-	300 746 805	-	300 746 805
Bonds and debentures	27 633 715	-	-	-	-	27 633 715
Trade and other receivables including insurance receivables	-	-	-	9 639 660	-	9 639 660
Financial assets at fair value through profit or loss	-	2 365 325	-	-	-	2 365 325
Available for sale financial assets	-	-	835 710	-	-	835 710
Total	140 512 538	2 365 325	835 710	491 389 030	-	635 102 603
Liabilities						
Deposits from customers	-	-	-	-	420 673 937	420 673 937
Deposits from other banks	-	-	-	-	88 729 907	88 729 907
Borrowings	-	-	-	-	14 581 009	14 581 009
Insurance liabilities	-	-	-	-	7 680 864	7 680 864
Trade and other liabilities	-	-	-	-	35 311 178	35 311 178
Total	-	-	-	-	566 976 895	566 976 895

36.2 Position as at 31 December 2016

Assets						
Balances with other banks and cash	-	-	-	184 244 019	-	184 244 019
Financial assets held to maturity	75 078 481	-	-	-	-	75 078 481
Loans and advances to customers	-	-	-	276 534 813	-	276 534 813
Bonds and debentures	9 139 955	-	-	-	-	9 139 955
Trade and other receivables including insurance receivables	-	-	-	9 120 237	-	9 120 237
Financial assets at fair value through profit or loss	-	1 102 173	-	-	-	1 102 173
Available for sale financial assets	-	-	862 886	-	-	862 886
Total	84 218 436	1 102 173	862 886	469 899 069	-	556 082 564
Liabilities						
Deposits from other banks	-	-	-	-	255 266 672	255 266 672
Deposits from customers	-	-	-	-	114 850 822	114 850 822
Borrowings	-	-	-	-	85 383 935	85 383 935
Insurance liabilities	-	-	-	-	9 470 934	9 470 934
Trade and other liabilities	-	-	-	-	19 809 097	19 809 097
Total	-	-	-	-	484 781 460	484 781 460

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

37 INSURANCE RISK MANAGEMENT

Insurance risk management specifically applies to the two subsidiaries; FBC Reinsurance Limited and FBC Insurance Company Limited.

37.1 Risk management objectives and policies for mitigating risk

The risk under an insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random, and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

The Group has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

The reinsurers and retrocessionaires that the Group transacted with for the year had the following ratings;
Year ended 31 December

Ratings	Number of reinsurers and retrocessionaires	
	2017	2016
AA+	1	1
AA-	2	1
A	0	2
A-	8	0
B	0	1
B++	0	1
B+	6	1
BB+	0	1
BBB	2	0
BBB-	1	0
Non rated	1	1
Total	21	9

37.2 Underwriting strategy

The Group's underwriting strategy seeks diversity to ensure a balanced portfolio and is based on a large portfolio of similar risks over a geographical area, as such; it is believed that this reduces the variability of the outcome. The underwriting strategy is set out in an annual business plan that sets out the classes of business to be written, the regions in which business is to be written and the industry sectors to which the Group is prepared to expose itself. This strategy is cascaded down to individual underwriters through detailed underwriting authorities that set out the limits that any one underwriter can write by the size, and class of business in order to enforce appropriate risk selection within the portfolio. The underwriters have the right to refuse renewal or to change the terms and conditions of the contract with 60 days notice, as well as the right to reject the payment of a fraudulent claim.

Insurance contracts also entitle the Group to pursue third parties for payment of some or all costs (i.e., subrogation). Adherence to the underwriting authorities is measured through a series of exception reports that are run on a regular basis covering size of risk, class and industry.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

37.3 Reinsurance strategy

The short-term insurance company reinsures all business in excess of its underwriting capacity as determined by the statement of financial position. The short-term insurance company utilises quota share, surplus, excess of loss and facultative reinsurance programmes with reputable reinsurers.

The treaties are a combination of proportional and non proportional in order to minimise the net exposure to the Group. The Group also participates in the facultative reinsurance in certain specified circumstances.

37.4 Retrocession strategy

The reinsurance company reinsures a portion of the risks it underwrites in order to control its exposures to losses and protect capital resources. The main classes covered include fire and engineering classes. The Group utilises international reinsurance brokers for the arrangement and placement of retrocession programmes with reputable reinsurers. This is led by Aon Sub Sahara Africa in South Africa and J B Boda Reinsurance Brokers (Pvt) Ltd of India. The treaties are a combination of proportional and non proportional treaties in order to minimise the net exposure to the company.

37.5 Terms and conditions of short-term insurance contracts

The terms and conditions of insurance contracts that are underwritten by the Group that have a material effect on the amount, timing and uncertainty of future cash flows arising from insurance contracts are set out below:

- i) The premium must be paid to the insurer before cover commences on direct clients and in the case of clients through intermediaries, payment should be made within a stipulated credit period;
- ii) The Group shall not be liable under the contract for any claims which are notified after the expiry of three months from the date of loss; and
- iii) Both parties to the contract shall give 30 days notice of cancellation of the policy.

Nature of risks covered

The following gives an assessment of the Group's main products and the ways in which it manages the associated risks and the concentrations of these risks. The Group through its subsidiary, FBC Insurance Company Limited, writes the following types of business within its Commercial and Personal Lines;

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

Products		Commercial	Personal Lines
Fire			
Assets all risks	*	*	*
House owners	*	*	*
Fire combined	*	*	*
Accident			
Money	*	*	X
Glass	*	*	X
Goods in transit	*	*	*
Theft	*	*	*
Personal all risks	*	*	*
Business all risks	*	*	X
Fidelity guarantee	*	*	X
Householders	*	*	*
Personal accident			
Group personal accident	*	*	X
Personal accident	*	*	*
Motor			
Private motor	*	*	*
Commercial motor	*	*	*
Motor cycle	*	*	*
Trailer	*	*	*
Motor fleet	*	*	*
Engineering			
Electronic equipment	*	*	X
Machinery breakdown	*	*	X
Machinery breakdown loss of profits	*	*	X
Contractors all risks	*	*	X
Erection all risks	*	*	X
Civil engineering completed risks	*	*	X
Plant all risks	*	*	X
Marine			
Marine cargo	*	*	*
Marine hull	*	*	*
Liability			
Public liability	*	*	*
Employers liability	*	*	X
Professional indemnity	*	*	X
Products liability	*	*	X
Directors and officer liability	*	*	X
Bonds and guarantees			
Court bond	*	*	X
Performance bond	*	*	X
Bid bond	*	*	X
Advance payment bond	*	*	X
Government/customs bonds	*	*	X

Legend: * class of business underwritten | x class of business not underwritten

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

Commercial department underwrites small to large business from companies. Personal department provides insurance to the general public in their personal capacities.

The following perils are covered under the different types of business:

- **Fire** – fire, storm, explosions, malicious and earthquake.
- **Accident** – all risks of accidental loss or damage to property.
- **Personal accident** – death, permanent disablement, total disablement and medical expenses.
- **Motor** – private and commercial (comprehensive, full third party, fire and theft).
- **Engineering** – accidental physical loss or damage to machinery on an all risks basis.
- **Marine** – loss or damage to cargo in transit or vessel.
- **Liability** – legal liability following death or injury to third parties or damage to third party property.
- **Bonds and guarantees** – guarantees that contractual obligations will be met in case of default.

The return to shareholders arises from the total premiums charged to policyholders and investment returns less the amounts paid to cover claims and administrative expenses incurred by the Group.

37.6 Terms and conditions of short-term reinsurance contracts

Nature of risks covered

The following gives an assessment of the Group's main products and the ways in which it manages the associated risks and the concentrations of these risks:

The Group, through its subsidiary, FBC Reinsurance Limited writes the following types of business within its Treaty and Facultative Departments;

Products	Treaty	Facultative
Fire	*	*
Miscellaneous accident	*	*
Motor	*	*
Engineering	*	*
Marine - hull and cargo	*	*
Aviation	*	*
Credit	*	*

* class of business underwritten

x class of business not underwritten

Both Treaty and Facultative Departments provide cover on commercial and personal lines basis. Commercial policies cover small to large business from companies. Personal lines policies cover the general public in their personal capacities. The following perils are covered under the different types of business;

- **Fire** - fire, storm, explosions, riot, malicious and earthquake.
- **Accident** - all risks of accidental loss or damage to property.
- **Personal accident** - death, permanent disablement, total disablement and medical expenses.
- **Motor** - private and commercial (comprehensive, full third party, fire and theft).
- **Engineering** - accidental physical loss or damage to machinery on an all risks basis.
- **Marine** - loss or damage to cargo in transit or vessel.
- **Liability** - legal liability following death or injury to third parties or damage to third party property.
- **Bonds and guarantees** - guarantees that contractual obligations will be met in case of default.

The return to shareholders under these products arises from the total premiums charged to policyholders and investment returns less the amounts paid to cover commissions, retrocessions, claims and operating expenses incurred by the Group.

There is scope for the Group to earn investment income owing to the time delay between the receipt of premiums and the payment of claims.

The event giving rise to a claim usually occurs suddenly (such as a fire) and the cause is easily determinable. The claim will thus be notified promptly and can be settled without delay.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

The key risks associated with these products for the Group are underwriting risk, competitive risk, and claims experience risk (including the variable incidence of natural disasters), as well as fraud risk.

Underwriting risk is the risk that the Group does not charge premiums appropriate for the risk that they accept. The risk on any policy will vary according to factors such as location, safety measures in place, age of property etc. Calculating a premium commensurate with the risk for these policies will be subjective and risky. The risk is managed through pricing, product design, risk selection, appropriate investment strategy, rating and reinsurance.

The Group monitors and reacts to changes in the environment in which they operate. The Group is also exposed to the risk of false or invalid claims from the policyholders. External control systems and fraud detection measurements are in place to improve the Group's ability to proactively detect fraudulent claims.

37.7 Concentration of insurance risk

With the insurance process, concentration of risk may arise where a particular event or series of events could impact heavily upon the Group's liabilities. Such concentration may arise from a single insurance contract or through a small number of related contracts, and relate to circumstances where significant liabilities could arise.

Property is subject to a number of risks, including theft, fire, business interruption and weather. For property business there is risk that external factors such as adverse weather conditions may adversely impact upon a large proportion of a particular geographical portion of the property risks.

Claim inducing perils such as storms, floods, subsidence, fires, explosions, and rising crime levels will occur on a regional basis, meaning that the Group has to manage its geographical risk dispersion very carefully. For motor business the main risks relates mainly to losses arising from theft, fire, third party losses and accident. Claims including perils such as increase in crime levels, adverse weather and bad road networks will occur meaning that the Group has to ensure that all products are adequately priced and that salvage recovery is pursued in order to mitigate losses.

37.8 Claims development

The Group is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the contract term, subject to pre-determined time scales dependent on the nature of the insurance contract. The Group takes all reasonable steps to ensure that they have appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The claims liability comprises a provision for outstanding claims and a provision for claims incurred but not yet reported ("IBNR") at the balance sheet date.

In calculating the estimated cost of outstanding claims, the Group uses the estimates determined by external assessors who would have calculated the total estimated cost of the claim. The Group provides for IBNR at 8.4% (2016 - 7%) of net premium written for the reinsurance subsidiary and 5% (2016 - 5%) of net premium written for the short term insurance subsidiary based on past experience.

37.9 Management of risk relating to changes in underwriting variables

Profit or loss and equity are sensitive to changes in variables that have a material effect on them. These variables are mainly significant classes of transactions and their corresponding balances. These variables are gross premium written, commissions, IBNR and outstanding claims. The Group has put in place procedures to identify and control the impact of these variables on the profit or loss and equity through financial analysis which entails scrutiny of key performance indicators (includes ratio analysis) on a regular basis. The results of the financial information are taken into account when budgets are made and when pricing decisions for different types of policies is done to ensure that the companies are adequately pricing their insurance products to avoid future losses.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

38 SEGMENT REPORTING

Segment information is presented in respect of business segments. Segment revenue, expenses, results and assets are items that are directly attributable to the business segment or which can be allocated on a reasonable basis to a business segment. The Group comprises six business segments i.e. commercial banking, microlending, mortgage financing, short term reinsurance, short term insurance and stockbroking. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Group Executive Committee.

	Commercial banking US\$	Microlending US\$	Mortgage financing US\$	Short term reinsurance US\$	Short term Insurance US\$	Stockbroking US\$	Consolidated US\$
31 December 2017							
Total segment net income							
Interest income	42 748 671	7 718 676	15 149 669	756 938	293 635	519 336	67 186 925
Interest expense	(15 479 196)	(1 053 238)	(4 350 444)	-	-	-	(20 882 878)
Net interest income / loss	27 269 475	6 665 438	10 799 225	756 938	293 635	519 336	46 304 047
Sales	-	-	5 387 808	-	-	-	5 387 808
Cost of sales	-	-	(4 212 915)	-	-	-	(4 212 915)
Net income from property sales	-	-	1 174 893	-	-	-	1 174 893
Net earned insurance premium	-	-	-	11 307 706	8 410 055	-	19 717 761
Net fee and commission income	25 862 468	732 856	5 076 569	-	-	459 868	32 131 761
Net trading income and other income	6 387 528	180 824	176 800	622 476	459 449	10 068	7 837 145
Total net income for reported segments	59 519 471	7 579 118	17 227 487	12 687 120	9 163 139	989 272	107 165 607
Intersegment revenue	(243 002)	-	(827 168)	(8 115 789)	6 443 045	(16 432)	(2 759 346)
Intersegment interest expense and commission	1 455 562	1 070 892	415 837	6 028 939	1 038 790	3 154	10 013 174
Net income from external customers	60 732 031	8 650 010	16 816 156	10 600 270	16 644 974	975 994	114 419 435
Segment profit before income tax	16 559 652	4 451 832	9 306 997	1 715 205	1 359 467	584 242	33 977 395
Impairment allowances on financial assets	6 342 964	(326 026)	600 697	191 916	74 014	-	6 883 565
Depreciation	1 901 950	66 549	208 873	38 343	120 492	3 340	2 339 547
Amortisation	397 254	61 032	44 844	21 642	102 127	-	626 899
Segment assets	558 063 849	22 626 490	129 919 786	21 500 808	14 968 980	2 695 824	749 775 737
Total assets includes:							
Additions to non-current assets	3 890 815	203 222	616 515	15 862	97 375	27 293	4 851 082
Investment in associates	-	-	-	491 139	-	-	-
Segment liabilities	480 127 286	13 083 822	82 416 452	7 873 921	7 601 555	1 641 695	592 744 731
Type of revenue generating activity	Commercial and retail banking	Microlending	Mortgage financing Sale of houses Construction	Underwriting of short term re-insurance	Underwriting of short term insurance	Equity market dealing	

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

31 December 2016	Commercial banking US\$	Microlending US\$	Mortgage financing US\$	Short term reinsurance US\$	Insurance US\$	Stockbroking US\$	Consolidated US\$
Total segment net income							
Interest income	44 419 716	8 667 331	14 225 764	852 931	322 100	647 840	69 135 682
Interest expense	(19 211 684)	(1 249 119)	(4 887 783)	-	-	-	(25 348 586)
Net interest income	25 208 032	7 418 212	9 337 981	852 931	322 100	647 840	43 787 096
Sales	-	-	7 001 895	-	-	-	7 001 895
Cost of sales	-	-	(6 039 694)	-	-	-	(6 039 694)
Net income from property sales	-	-	962 201	-	-	-	962 201
Net earned insurance premium	-	-	-	11 537 208	8 345 751	-	19 882 959
Net fee and commission income	20 730 238	476 716	5 123 977	-	-	131 926	26 462 857
Net trading income and other income	1 789 812	112 194	166 284	291 117	240 415	2 834	2 602 656
Total net income for reported segments	47 728 082	8 007 122	15 590 443	12 681 256	8 908 266	782 600	93 697 769
Intersegment revenue	(276 368)	(54 693)	(1 097 187)	(797 589)	(1 366 803)	(42 043)	(3 634 683)
Intersegment interest expense and commission	1 214 902	1 217 463	878 620	33 656	403 367	4 107	3 752 115
Net income from external customers	48 666 616	9 169 892	15 371 876	11 917 323	7 944 830	744 664	93 815 201
Segment profit before income tax	12 152 426	4 197 275	8 516 850	2 266 736	1 454 104	481 561	29 068 952
Impairment allowances on financial assets	6 453 789	771 344	649 634	-	-	-	7 874 767
Depreciation	1 646 612	43 056	221 084	28 851	135 525	4 597	2 079 725
Amortisation	330 329	5 086	75 106	22 570	83 778	-	516 869
Segment assets	470 233 877	17 544 690	147 682 029	21 589 978	12 129 381	2 165 292	671 345 247
Total assets includes:							
Additions to non-current assets	2 173 931	76 169	135 663	48 154	186 461	11 174	2 631 552
Investment in associates	-	-	-	491 139	-	-	-
Segment liabilities	405 167 868	10 488 890	106 411 020	8 637 766	5 596 690	1 542 354	537 844 588
Type of revenue generating activity	Commercial and retail banking	Microlending	Mortgage financing Sale of houses Construction	Underwriting general classes of short term re-insurance	Underwriting general classes of short term insurance	Equity market Dealing	

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

	31-Dec-17 US\$	31-Dec-16 US\$
Operating segments reconciliations		
Net income		
Total net income for reportable segments	114 419 435	93 815 201
Total net income for non reportable segments	4 731 160	5 396 269
Elimination of intersegment revenue received from the holding company	(1 140 730)	(158 540)
Intersegment eliminations	(12 715 938)	(6 026 849)
Group total net income	105 293 927	93 026 081
Group profit before tax		
Total profit before income tax for reportable segments	33 977 395	29 068 952
Intersegment eliminations	(4 673 841)	(3 393 247)
Profit before income tax	29 303 554	25 675 705
Group assets		
Total assets for reportable segments	749 775 737	671 345 247
Other group assets	33 750	45 000
Deferred tax asset allocated to the holding company	2 222 315	1 815 925
Intersegment eliminations	(39 594 317)	(63 061 455)
Group total assets	712 437 485	610 144 717
Group liabilities		
Total liabilities for reportable segments	592 744 731	537 844 588
Elimination of intersegment payables	(24 863 182)	(51 412 467)
Group total liabilities	567 881 549	486 432 121

In the normal course of business, group companies trade with one another and the material intergroup transactions include:

- 1) Underwriting of insurance risk by the insurance subsidiary;
- 2) Reinsurance of the insurance subsidiary's insurance risk by the reinsurance subsidiary;
- 3) Borrowings from the banking subsidiary by group companies and placement of funds and operating of current accounts; and
- 4) Placement of funds with the Building Society by group companies.

These transactions result in income, expenses, assets and liabilities that are eliminated on consolidation.

Entity wide information

Breakdown of total net income from all services is as follows;

	31-Dec-17 US\$	31-Dec-16 US\$
Analysis of net income by category:		
- Gross profit from residential properties	1 174 893	962 201
Revenue	5 387 808	7 001 895
Cost of sales	(4 212 915)	(6 039 694)
- Net income from services	104 119 034	92 063 880
Total	105 293 927	93 026 081

The Group is domiciled in Zimbabwe. All revenue was earned from external customers in Zimbabwe.

All assets of the Group are located in Zimbabwe.

Total net income was earned by a variety of customers with no significant concentration on one customer.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

39 BORROWING POWERS

The Directors may exercise all the powers of the Group to borrow money and to mortgage or charge its undertaking, property and uncalled capital, or any part thereof, and to issue debentures, stock and other securities whether outright or as security for any debt, liability or obligation of the Group or of any third party.

40 POST EMPLOYMENT BENEFITS

Contributions made during the year are as follows:

	31-Dec-17 US\$	31-Dec-16 US\$
Self administered pension fund	1 283 236	1 245 034
National Social Security Authority ("NSSA") Scheme	363 974	339 566
	1 647 210	1 584 600

The Group operates a defined contribution pension scheme whose assets are held independently of the Group's assets in separate trustee administered funds. All permanent employees are members of this fund.

The NSSA Scheme was promulgated under the National Social Security Authority Act (Chapter 17:04). The Group contributions under the scheme are limited to specific contributions as legislated from time to time and are presently 3.5% (2016 : 3.5%) of pensionable salary to a maximum as set from time to time.

41 CAPITAL COMMITMENTS

Capital expenditure authorised but not yet contracted

31-Dec-17 US\$	31-Dec-16 US\$
46 698 106	17 061 528

Capital commitments will be funded from the Group's own resources

42 CONTINGENT LIABILITIES

(a) Letters of credit

The contingent liabilities relate to letters of credit undertaken on behalf of various customers.

8 002 919	4 328 256
------------------	------------------

(b) Legal proceedings

The Group had no other contingent liabilities as at 31 December 2017 (2016 - US\$nil).

43 SUBSEQUENT EVENTS

The Directors are not aware of any events subsequent to the reporting date that may have a significant impact on the financial statements.

Company **Financial Statements**

Company Statement of Financial Position

As at 31 December 2017

	Note	31-Dec-17 US\$	31-Dec-16 US\$
ASSETS			
Balances with banks and cash		2 019 124	213 475
Amounts due from related parties	2	6 278 646	5 833 331
Available for sale financial assets	3	286 866	314 042
Investments in subsidiaries	4	60 030 628	60 030 628
Time - share asset	5	33 750	45 000
Other assets		599 764	475 697
Deferred income tax asset		2 249 648	1 842 986
Total assets		71 498 426	68 755 159
EQUITY AND LIABILITIES			
Liabilities			
Amounts due to related parties	6	11 356 709	5 434 061
Borrowings		10 000 000	10 000 000
Other liabilities		1 786 112	2 278 489
Total liabilities		23 142 821	17 712 550
Equity			
Share capital and premium		14 089 892	14 089 892
Other reserves		34 070 907	34 097 811
Retained profits		194 806	2 854 906
Total equity		48 355 605	51 042 609
Total equity and liabilities		71 498 426	68 755 159

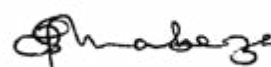
The Company financial statements on pages 153 to 160 were authorised for issue by the board of directors on 28 March 2018 and were signed on its behalf.



Herbert Nkala
(Chairman)



John Mushayavanhu
(Group Chief Executive)



Tichaona K. Mabeza
(Company Secretary)

Company Statement of Comprehensive Income

For the year ended 31 December 2017

	Note	31-Dec-17 US\$	31-Dec-16 US\$
Revenue	7	4 731 160	5 396 269
Operating expenditure	8	(4 438 486)	(4 404 126)
Operating profit		292 674	992 143
Taxation	9	406 390	287 762
Profit for the year after taxation		699 064	1 279 905
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Available for sale reserve		(27 176)	(63 526)
Tax		272	635
Other comprehensive income, net income tax		(26 904)	(62 891)
Total comprehensive income for the year		672 160	1 217 014
Profit for the year attributable to:			
Equity holders of parent		699 064	1 279 905
Total profit for the year		699 064	1 279 905
Total comprehensive income attributable to:			
Equity holders of parent		672 160	1 217 014
Total comprehensive income for the year		672 160	1 217 014
Earnings per share (US cents)			
Basic	10	0.11	0.20
Diluted	10	0.11	0.20

Company Statement of Changes In Equity

For the year ended 31 December 2017

	Share capital US\$	Share premium US\$	Revaluation reserves US\$	Non distributable reserves US\$	Treasury share reserves US\$	Available for sale ("AFS") reserves US\$	Retained profits US\$	Total US\$
At 1 January 2016	6 719	14 083 173	112 500	35 868 754	(1 223 171)	(60 708)	4 072 333	52 859 600
AFS revaluation loss	-	-	-	-	-	(63 526)	-	(63 526)
Deferred tax on AFS	-	-	-	-	-	635	-	635
Profit for the year	-	-	-	-	-	-	1 279 905	1 279 905
Increase in ownership interest	-	-	-	402 350	-	-	-	402 350
Purchase of treasury shares	-	-	-	-	(939 023)	-	-	(939 023)
Dividend declared and paid	-	-	-	-	-	-	(2 497 332)	(2 497 332)
Balance at 31 December 2016	6 719	14 083 173	112 500	36 271 104	(2 162 194)	(123 599)	2 854 906	51 042 609
AFS revaluation loss	-	-	-	-	-	(27 176)	-	(27 176)
Deferred tax on AFS	-	-	-	-	-	272	-	272
Profit for the year	-	-	-	-	-	-	699 064	699 064
Dividend declared and paid	-	-	-	-	-	-	(3 359 164)	(3 359 164)
Balance at 31 December 2017	6 719	14 083 173	112 500	36 271 104	(2 162 194)	(150 503)	194 806	48 355 605

Company's Statement of Cash Flows

For the year ended 31 December 2017

	31-Dec-17 US\$	31-Dec-16 US\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	292 674	992 143
Non cash items:		
Depreciation	11 250	11 250
Provisions	1 781 393	2 252 569
Net cash generated before changes in operating assets and liabilities	2 085 317	3 255 962
Changes in operating assets and liabilities		
Increase in amounts due from related parties	(445 315)	-
Increase in other assets	(124 067)	-
Increase in amounts due to related parties	5 922 648	1 605 152
Decrease in other liabilities	(2 273 770)	(984 204)
	3 079 496	620 948
Income tax paid	-	-
Net cash generated in operating activities	5 164 813	3 876 910
Cash flows from investing activities		
Net change in subsidiary investments	-	(11 000 000)
Cash used in investing activities	-	(11 000 000)
Cash flows from financing activities		
Purchase of treasury shares	-	(3 259)
Dividend paid	(3 359 164)	(2 497 332)
Proceeds from borrowings	-	10 000 000
Net cash (used in)/generated from financing activities	(3 359 164)	7 499 409
Net increase in cash and cash equivalents	1 805 649	376 319
Cash and cash equivalents at beginning of the year	213 475	(162 844)
Cash and cash equivalents at the end of year	2 019 124	213 475

Notes to the Company Financial Statements

For the year ended 31 December 2017

1 COMPANY ACCOUNTING POLICIES

The financial statements of the Company for the year ended 31 December 2017 are prepared in accordance with the same principles used in preparing consolidated financial statements of the Group. For detailed accounting policies refer to the Group's financial statements.

2 AMOUNTS DUE FROM RELATED PARTIES

Share option balances due from subsidiaries
Other intercompany receivables

Current
Non-current

Total

Amounts receivable from group companies were not considered impaired at year end.

3 AVAILABLE FOR SALE FINANCIAL ASSETS

As at 1 January
Acquisition
Net fair value loss transfer to equity
Impairment

As at 31 December

	31-Dec-17 US\$	31-Dec-16 US\$
	82 926	82 926
	6 195 720	5 750 405
	6 278 646	5 833 331
	6 278 646	5 833 331
	-	-
	6 278 646	5 833 331
	314 042	377 568
	-	-
	(27 176)	(63 526)
	-	-
	286 866	314 042

The available-for-sale financial assets include Zimbabwe Stock Exchange listed shares denominated in the United States of America dollar.

During the year 31 December 2014, a dividend in specie was declared by one of the Company's subsidiary's consisting of their entire holding in Turnall Holdings Limited. In turn, the Company disposed of a portion of the shares through a dividend in specie. The intercompany transaction was fully eliminated in the consolidated financial statements. An impairment loss was recognised on the remaining shares as the persistent decline in share price was an indicator of impairment.

The remaining interest represents 5% of Turnall Holdings Limited. The fair value loss was US\$ 27 176 for these shares for the year.

4 INVESTMENT IN SUBSIDIARIES

4.1 Investment in subsidiaries

	Equity interest		31-Dec-17 US\$	31-Dec-16 US\$
	2017	2016		
FBC Bank Limited	100%	100%	39 527 261	39 527 261
FBC Building Society	100%	100%	12 996 785	12 996 785
FBC Reinsurance Limited	100%	100%	5 995 330	5 995 330
FBC Securities (Private) Limited	100%	100%	379 265	379 265
FBC Insurance Company (Private) Limited	95.4%	95.4%	1 126 987	1 126 987
Microplan Financial Services (Private) Limited	100%	100%	5 000	5 000
			60 030 628	60 030 628

Notes to the Company Financial Statements (continued)

For the year ended 31 December 2017

4.2	Movement analysis - investment in subsidiaries	US\$
	Year ended 31 December 2016	
	Balance as at 1 January 2016	48 628 278
	Recapitalisation of FBC Bank	11 402 350
		-
	Balance as at 31 December 2016	60 030 628
	Year ended 31 December 2017	
	Balance as at 1 January 2017	60 030 628
	Recapitalisation of FBC Bank	-
	Balance as at 31 December 2017	60 030 628
5	TIME - SHARE ASSET	31-Dec-17 US\$
		31-Dec-16 US\$
	The Company has a 45% share in a houseboat for use by the Company's employees. The value stated is the value of the share held according to a directors valuation performed on recognition.	
	Balance at 1 January	45 000
	Depreciation	(11 250)
		56 250
		(11 250)
	Balance as at 31 December	33 750
		45 000
	The time - share asset is included in prepayments and other assets on the consolidated statement of financial position.	
6	AMOUNTS DUE TO RELATED PARTIES	
	Other inter-company payables	11 356 709
		5 434 061
	The liability relates to amounts payable to FBC Reinsurance Limited following purchase of FBC Insurance Company Limited in 2011, brokerage fees to FBC Securities (Private) Limited and other balances due to Group companies.	
7	REVENUE	
	Net interest (expense)/income	(235 357)
	Dividend income	4 966 517
	Other	-
		1 010 901
		4 385 368
		-
		4 731 160
		5 396 269
8	OPERATING EXPENDITURE	
	Staff costs	3 750 535
	Administration expenses	669 275
	Audit fees	18 676
		3 636 943
		746 973
		20 210
		4 438 486
		4 404 126

Notes to the Company Financial Statements (continued)

For the year ended 31 December 2017

9 TAXATION

The following constitute the major components of income tax expense recognised in the statement of comprehensive income.

	31-Dec-17 US\$	31-Dec-16 US\$
Analysis of tax charge in respect of the profit for the year		
Current income tax charge	-	-
Deferred income tax	406 390	287 762
Prior year under provision	-	-
Income tax expense	406 390	287 762
10 EARNINGS PER SHARE		
10.1 Basic earnings per share		
Profit attributable to equity holders of the parent	699 064	1 279 905
Total	699 064	1 279 905

	Shares issued	Treasury shares	Shares outstanding	Weighted
Year ended 31 December 2017				
Issued ordinary shares as at 1 January	671 949 927	31 827 282	640 122 645	640 122 645
Treasury shares purchased	-	-	-	-
Weighted average number of ordinary shares as at 31 December	671 949 927	31 827 282	640 122 645	640 122 645
Basic earnings per share (US cents)				0.11
Year ended 31 December 2016				
Issued ordinary shares as at 1 January	671 949 927	11 304 203	660 645 724	660 645 724
Treasury shares purchased	-	20 523 079	(20 523 079)	(16 782 946)
Weighted average number of ordinary shares as at 31 December	671 949 927	31 827 282	640 122 645	643 862 778
Basic earnings per share (US cents)				0.20

Notes to the Company Financial Statements (continued)

For the year ended 31 December 2017

10.2 Diluted earnings per share

Diluted earnings per share is calculated after adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company does not have dilutive ordinary shares.

	31-Dec-17 US\$	31-Dec-16 US\$
Earnings		
Profit attributable to equity holders of the parent	699 064	1 279 905
Total	699 064	1 279 905
Weighted average number of ordinary shares at 31 December	640 122 645	643 862 778
Diluted earnings per share (US cents)	0.11	0.20
10.3 Headline earnings per share		
Profit attributable to equity holders of the parent	699 064	1 279 905
Adjusted for excluded remeasurements	-	-
Headline earnings	699 064	1 279 905
Weighted average number of ordinary shares at 31 December	640 122 645	643 862 778
Headline earnings per share (US cents)	0.11	0.20

Shareholding Information

For the year ended 31 December 2017

Range	Shareholders Number	%	Shares held Number('000)	%
0 - 100	1245	15.04	106	0.02
101 - 200	1561	18.86	290	0.04
201 - 500	2506	30.28	794	0.12
501 - 1 000	948	11.45	665	0.10
1 001 - 5 000	1265	15.28	2 904	0.43
5 001 - 10 000	242	2.92	1 727	0.26
10 001 - 50 000	282	3.41	5 863	0.87
50 001 - 100 000	64	0.77	4 754	0.71
100 001 - 500 000	88	1.06	22 610	3.36
500 001 - 1 000 000	19	0.23	13 346	1.99
1 000 001 - 10 000 000	48	0.58	189 630	28.22
10 000 001 -	10	0.12	429 262	63.88
Total	8 278	100.00	671 951	100.00

Analysis of shareholding

Industry	Shares held Number('000)	%
Bank	55	0.01
Companies	222 200	33.07
Employee	1 154	0.17
DeceasedEstate	17	0.00
External Companies	50 513	7.52
Fund Managers	396	0.06
Insurance Companies	20 844	3.10
Investment Trusts and Property	4 546	0.68
Local Resident	12 315	1.82
Nominees Local	6 956	1.04
Non Residents	35 018	5.21
Non Resident Individual	4 381	0.65
Other Corporate Holdings	234 029	34.83
Pension Fund	79 526	11.84
Total	671 950	100.00

Top ten shareholders

Institution	Shares held Number('000)	%
NATIONAL PENSION SCHEME	236 037	35.13
SHORECAP II LIMITED NNR	49 150	7.31
STANBIC NOMINEES (PRIVATE) LIMITED	40 057	5.96
STANBIC NOMINEES (PRIVATE) LIMITED (NNR)	35 016	5.21
TIRENT INVESTMENTS (PRIVATE) LIMITED	31 761	4.73
CASHGRANT INVESTMENTS (PVT) LTD	27 620	4.11
FBC HOLDINGS LIMITED	21 320	3.17
SCB NOMINEES	11 497	1.71
VIDRYL INTERNATIONAL (PVT)LTD	11 408	1.70
FBC REINSURANCE COMPANY LIMITED	10 508	1.56
Total	474 374	70.60

Performance on the Zimbabwe Stock Exchange

	2017	2016
Number of shares in issue	671 949 927	671 949 927
Market prices (US cents per share)		
Closing	20.00	8.00
High	25.00	8.02
Low	8.00	6.00
Market Capitalisation (US\$)	134 389 985	53 755 994

Notice of Annual General Meeting

Notice is hereby given that the Fourteenth Annual General Meeting of Shareholders of FBC Holdings Limited will be held in the Main Lounge, Royal Harare Golf Club, 5th Street Extension, Harare on Thursday, 28 June 2018 at 1500 hours.

Agenda

1. To receive, consider and adopt the financial statements and the reports of the directors and auditors of the Company for the financial year ended 31 December 2017.
2. To sanction the dividend paid.
3. To elect Directors of the Company.
- 3.1 In terms of Article 95 of the Company's Articles of Association, Mr Franklin Kennedy, Mr Philip Chiradza and Mrs Chipso Mtasa retire by rotation. Being eligible, Mr Kennedy, Mr Chiradza and Mrs Mtasa offer themselves for re-election.
- 3.2. To note the resignation of Mr Robin Vela from the Board with effect from 31 January 2018. To note the resignation of Mr James Chiuta with effect from 7 May 2018 following his recent appointment to the Board with effect from 12 December 2017.
4. To approve the remuneration of the Directors for the past financial year.
5. To approve the remuneration of the auditor for the past audit and to re-appoint Messrs Deloitte & Touche as auditor of the Company.

6. Special business

Share buy-back as ordinary resolutions

To consider, and if deemed fit, to resolve by way of ordinary resolution with or without modification the following:-

6.1 Purchase of own shares

That the Directors be and hereby authorized in terms of section 50 of the Company's Articles of Association and Section 79 of the Companies Act (Chapter 24:03) to purchase the Company's own shares subject to the following terms and conditions: The purchase price shall not be lower than the nominal value of the Company's shares and not greater than 5% (five percent) nor 5% (five percent) below the weighted average trading price for such ordinary shares traded over (5) business days immediately preceding the date of purchase of such shares by the Company.

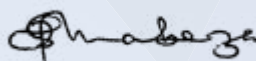
- 6.2 The shares to be acquired under this resolution shall be ordinary shares in the Company and the maximum number of shares which may be acquired under this resolution shall be 10% (ten percent) of the ordinary shares of the Company in issue prior to the date of this resolution.
- 6.3 This authority shall expire on the date of the Company's next Annual General Meeting.
- 6.4 That the shares purchased according to this resolution shall be utilized for treasury purposes.

Directors statement

In relation to the aforesaid proposed resolution, the Directors of the Company state that:-

- (i) The Company is in a strong financial position and will, in the ordinary course of business, be able to pay its debts for a period of 12 months after the Annual General Meeting.
 - (ii) The assets of the Company will be in excess of its liabilities for a period of 12 months after the Annual General Meeting.
 - (iii) The ordinary capital and reserves of the Company will be adequate for a period of 12 months after the Annual General Meeting.
 - (iv) The working capital of the Company will be adequate for a period of 12 months after the Annual General Meeting.
7. To transact all such other business as may be transacted at an Annual General Meeting.

By Order of the Board



Tichaona Mabeza
Company Secretary

6th Floor, FBC Centre
45 Nelson Mandela Avenue
HARARE
6 June 2018

Proxy Form

For the year ended 31 December 2017

I/We _____
(names) in block letters)

of _____
(address in block letters)

Being (a) member(s) of the Company and entitled to vote, do hereby appoint _____

Or, failing him/her _____

Or, failing him/her, the Chairman of the meeting as my/our proxy to attend and speak and vote for me/us and on my/our behalf at the Annual General Meeting of members of the Company to be held on Thursday, 28 June 2018 at 1500 hours and at any adjournment thereof, as follows:

		In favour of	Against	Abstain
1	Resolution to adopt the company annual financial statements			
2	Resolution to sanction payment of dividend			
3	Resolution to re-elect the retiring directors by single resolution			
4	Resolution to approve the remuneration of the directors			
5.1	Resolution to approve the remuneration of auditors, Deloitte & Touche Chartered Accountants and to re-appoint them			
6	Resolution to purchase the company's own shares			

Please indicate with an 'X' in the appropriate spaces provided how you wish your vote to be cast. If no indication is given, the proxy may vote or abstain as he/she thinks fit.

A member of the company entitled to attend and vote at the above-mentioned meeting is entitled to appoint a proxy or proxies to attend, speak and vote in his/her stead. A proxy need not be a member of the company.

Signed at _____ on _____ 2018

Full name(s) _____
(in block letters)

Signature(s) _____

Notes:

1. In order to be effective, proxy forms must be delivered or posted to the Transfer Secretaries, First Transfer Secretaries (Private) Limited, 1 Armagh Avenue, Eastlea, P O Box 11, Harare so as to reach this address not later than 1200 hours on Tuesday, 26 June 2018.
2. The delivery of a duly completed proxy form shall not preclude any member or his/her duly authorized representative from attending the meeting and speaking and voting thereat instead of the proxy.
3. If two or more proxies attend the meeting, then that person attending the meeting whose name appears first on the proxy form and whose name is not deleted shall be regarded as the validly appointed proxy.

